PUBLIC BRAINPOWER

Civil Society and Natural Resource Management

Edited by

Indra Overland

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Norwegian Institute of International Affairs (NUPI)
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Oslo, 14 September 2017 Indra Overland

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Introduction: Civil Society, Public Debate and Natural Resource Management

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The Paradox of Plenty

Between 1980 and 2015, the world produced altogether 980 billion barrels of oil, worth a total of USD 54 trillion.[1] For the biggest exporters—such as Russia, Saudi Arabia and the United Arab Emirates—oil has generated export revenues on a scale that other countries can only dream of. However, if these revenues are badly managed, not only do they go to waste, but the countries may be even worse off than they would have been otherwise. This is the 'paradox of plenty' (Karl 1997), which has become almost a cliché, giving rise to what Bebbington (2013, 4) calls a 'cottage industry' of publications on how natural resource wealth affects societies.[2] There has been less interest in the opposite relationship: how different societal configurations influence the management of natural resources. This book therefore flips the independent and dependent variables of the resource curse literature, so that society becomes the

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independent variable and the management of natural resource wealth the dependent variable.

The literature that does exist on this relationship holds that societal institutions are important for how natural resources are governed, but rarely goes into detail (see, e.g. Bulte et al. 2005; Mehlum et al. 2006). Many studies of institutions and the resource curse seek to determine whether institutions influence how resource revenues impact the economic development of countries. It mostly finds that having stronger institutions puts a country in a better position to handle its resource revenues.[3] This amounts to a 'winner takes all' logic: countries that happen to have strong social and political institutions before the discovery of valuable natural resources are more likely to manage the ensuing revenues successfully—whereas countries without strong institutions in place before resource revenues start flowing are 'cursed'.[4] This argument has a fatalistic ring: what you have is what you get. The literature has less to say about why some countries have good institutions or how countries without such institutions might go about creating them. As Rosser (2006) noted, there is a lack of research into what specific social and political preconditions facilitate the good governance of natural resources.

Much of the literature does not even discuss how to define a 'strong' institution. In fact, some central works on institutions and the resource curse even fail to define what an 'institution' is in the first place—for example, Mehlum et al.'s (2006) much-quoted article 'Institutions and the Resource Curse'. This is surprising, since 'institution' may refer to anything from highly formalized events and organizational structures, such as elections and ministerial bureaucracies, to entirely informal patterns of cultural behaviour. (The narrower definition used in this book is presented towards the end of this chapter.)

How Big Is Your Brain?

With this book, I attempt to fill the gap in the literature by assessing the following hypothesis: it is not only formal aspects of institutions that are important for the success of natural resource governance but also their embeddedness in a conducive socio-political context and the dynamism

of the long-term *process* of institution creation and re-creation. This implies that successful management of natural resources depends on freedom of speech, a dynamic and wide-ranging public debate through multiple independent media channels and an active civil society engaged in natural resource issues. Without these elements, a resource-rich country is less likely to develop appropriate and effective institutions for managing its resource wealth.

The hypothesis inspires a theoretical concept that I refer to as 'public brainpower'. The main pillar of public brainpower is polycentricity, or the coexistence of many different public actors freely expressing their views: individual citizens, political parties, trade unions, charities, companies, research institutes, religious institutions, the mass media and government institutions. The more polycentric a society is, the greater is its 'brainpower': its memory becomes more comprehensive and multifaceted, the various actors can perform quality control on each other's ideas and arguments, and it is more difficult to repress challenging thoughts. Above all, a polycentric society offers a broader base for creativity. Thus, the concept of public brainpower highlights the importance of creativity to successful long-term governance—a point often overlooked in the literature on governance and certainly in the literature on natural resource management.

The concept of public brainpower draws inspiration from the work by Almond and Verba (1965) on civic culture, by Dahl (1956, 1989) on polyarchy, by Habermas (1962) on the public sphere, and by Putnam (1995, 2000) and Putnam et al. (1994) on civil society and social capital. These classics provide theoretical inspiration beyond the narrower and more contemporary literature on institutions and the resource curse discussed above.

With their work on civic culture, Almond and Verba (1965) made a breakthrough in the study of political culture. They held that the populations of different countries have different attitudes and expectations towards the state and their own participation in its affairs, and that these attitudes determine how well states function. This is similar to the concept of public brainpower but involves a stronger element of cultural determinism.

Polyarchy literally means 'rule by many' and was used by Dahl (1989, 220) to describe a political system that is open to contestation and in which many different actors, though not necessarily all, can influence the system. However, polyarchy relates primarily to elections and non-coercion in politics and to members of society as individuals with individual rights—none of which are major foci in this book. My interest is rather in the degree of multipolarity that exists in such a system and its contribution to good governance: how different social units contribute multiple competing voices to the governance of society and not only through the narrow confines of electoral politics.

The concept of public brainpower is also closely related to that of the 'public sphere' as defined by Habermas (1962): a historical space between the private domain and the state, where citizens could engage as equals in critical discussion about the state and society and influence their development in the process. In the words of Habermas (1962, xi), this was 'a sphere in which state authority was publicly monitored through informed and critical discourse by the people'. However, he saw the public sphere as something specific to bourgeois society in the late eighteenth and early nineteenth centuries, inextricably linked to face-to-face conversations between small groups of middle-class citizens, undisturbed by the mass media and their commercialization. The classic locus of the Habermasian public sphere was a café or salon where people engaged in debates about art and literature. By contrast, my interest is in contemporary public debate, regardless of whether it is face-to-face or through the mass media and specifically how it affects natural resource management.

Finally, Putnam's work on civil society and social capital is highly relevant for this book (Putnam 2000; Putnam et al. 1994). Drawing on the tradition of de Tocqueville, he sees civil society (including activities like bowling or visiting friends) as helping to create social capital in the form of trust and shared values (Putnam 2000). According to this line of thought, a society with a high level of social capital is more cohesive and functions better. The main connection between an active civil society and good governance is the presence of stronger networks, norms and trust, which enable society and the state to work together constructively, resulting in better governance (Putnam et al. 1994).

By referring to 'public brainpower', rather than simply recycling the terminology of Dahl, Habermas or Putnam, I aim to highlight the capacity of the public to aid decision-makers in the governance of society: the strengths inherent in a diverse civil society and public debate, and on which the state can draw to govern more effectively. A polycentric society is brimming with tensions and contradictions, and the sum of its often-opposing parts constitutes a capacity for thought not found among narrower elites on their own. In a thriving democracy, this point may seem obvious, even banal—but in many nondemocratic states, decision-makers seem unaware of such a perspective. The international discourse about democracy and free speech that such leaders normally encounter is concerned with human rights and their infringement, that is to say, with ethics. This book focuses instead on free speech as a tool for *effective* management of natural resources.

Sources of Inspiration

An important source of inspiration for the hypothesis outlined above is the case of Norwegian petroleum governance. The strength of institutions in Norway seems to lie not primarily in their design or content, but in the open and dynamic public debate in which they are embedded. It appears that Norway has been relatively successful in developing good institutions because it has open public debates that function as a continuous collective brainstorming for the creation of new institutions while securing public scrutiny of existing ones. The unfettered involvement of many independent actors in the public debate ensures a broad and varied base for conceiving new institutions, checks and balances on existing institutions, and the continuous evolution of institutions apace with the shifting needs of society and of the petroleum sector (see Berrefjord and Heum 1990, 34).

Norwegian petroleum institutions are constantly evolving and adapting to new conditions and knowledge. Changes in these institutions just in the period 2006–2016 affected almost every level of the country's petroleum governance system: the tax deductibility of oil exploration costs, the share of state ownership of the national oil company, the

opening and closure of geographical areas for oil and gas exploration, investment rules for the sovereign wealth fund and limits on how much of the fund can be spent each year. Both the frequency of such changes and the broad public debate preceding them are indicators of dynamism.

Within the Norwegian context, a particular source of inspiration for this book has been the aid programme 'Oil for Development', launched in 2005. Through this programme, the Norwegian Agency for Development Cooperation (NORAD) assists prospective oil-producing states in getting a good start and trying to avoid the resource curse by supporting the development of petroleum-sector institutions before the oil revenue start pouring in. In practice, much of the work of this aid programme has been implicitly or explicitly about how to emulate Norway's institutions of petroleum governance. During the early years of the programme, petroleum-sector institutions tended to be treated as something that could be copied from one country to another—with some adjustment for local conditions, but without any attempts to alter the broader socio-political context in those countries (NORAD 2012, 1–3; Lopez Peralta 2009, 78; Flemming et al. 2007; Ekern 2005). One reason seems to have been the requirement that the aid programme be demand-driven, with the recipient states having the final say over its content. The governments of recipient states were not necessarily interested in complicated information about the Norwegian socio-political system that might also raise questions about their own rule. Quick technocratic petroleum-sector fixes seemed more attractive.

In addition to the efforts of the Oil for Development programme to spread the gospel of Norwegian petroleum-sector institutions, there have been cases of countries trying on their own initiative to emulate the successful institutions of Norway. For example, the USD 880 billion Norwegian oil fund—formally the foreign assets branch of the Norwegian Pension Fund—has been cited as an important source of inspiration for the sovereign wealth funds of countries such as Azerbaijan and Kazakhstan (Tsani 2015, 95; NBIM 2017; Ramirez-Cendrero and Wirth 2016). According to Olsen and Peters (1996, vii), 'public organizations in one country *sometimes* are able to learn from their peers in other countries' (emphasis added). However, as argued by Humphreys and Sandbu (2007,

226), the political and institutional context may be decisive for the performance of such funds. As long as Azerbaijan and Kazakhstan have socio-political contexts fundamentally different from those of Norway, their institutions cannot necessarily be expected to function like those of Norway.

Countries that attempt to emulate others risk falling into the same trap as the Soviet Union. Although the USSR excelled at basic natural science and was reasonably successful as an industrial manufacturer, it was weaker when it came to generating its own new technologies (Balzer 1989). Individual scientists and citizens had original ideas, but, apart from military applications, few of these ideas were ever developed into mass-produced products available to the Soviet population, let alone the world market. Even the first Soviet nuclear bomb, detonated in 1949, drew significantly on espionage carried out by the 'Cambridge Five' for the Soviet Union (Weinstein and Vassiliev 1999, 180–185).

While the Soviets were busy copying, the capitalist countries moved on, generating new technologies, consumer goods and levels of welfare. This has implications for nondemocratic states that are now attempting to emulate successful institutions of natural resource governance in democratic societies, some of which are included among the country-case studies in this volume. As institutions are more dependent on context than are physical technologies, the would-be authoritarian emulators of the resource governance institutions of open societies may have an even harder time than the Soviets did. The problem with such emulation may be its superficiality. As argued above, the strength of institutions in a country like Norway lies not in their formal characteristics, which can readily be observed, but in the open and dynamic public debate in which the institutions are rooted and which may not be immediately noticeable if the focus remains on the institutions.

A few sources provide some support for the hypothesis of *Public Brainpower*. Ostrom (2005, 29) argues that attempts to create new institutions are often based on 'naïve ideas' about good and bad institutions that fail to take into account how different institutions actually perform in specific contexts. Collier and Hoeffler (2009, 1) hold that it is not democracy as such, but checks and balances that enable countries to manage their natural resources sensibly. Korhonen (2004, 34) reasons

that greater political freedom and improved education leads to better institutions and improves a resource-rich country's long-term growth potential. Ahmadov et al. (2012, 11) contend that avoidance of the resource curse depends on transparency and accountability in revenue management.

Polycentricity and Resource Management: A First Glance at the Relationship

Existing datasets provide some initial pointers on the issues dealt with in this book. Figure 1.1 plots indicators related to the scope for public debate in society (independent variable) against indicators related to governance of natural resources (dependent variable). This is solely for exploratory illustrative purposes and the choice of indicators used in the scatterplots is based on what data happened to be available.

All four scatterplots show considerable correlation between the paired variables using Pearson's product-moment correlation coefficient: freedom of press and budgetary openness (r = 0.61); political rights and resource governance (r = 0.80); personal freedom and resource governance (r = 0.81); freedom and non-corruption (r = 0.77). This provides a preliminary indication that the hypothesis may be correct and that public debate does indeed have a powerful effect on natural resource governance.

Such simple correlations do not necessarily reflect causal relationships between the variables on the x- and y-axes. One way of moving beyond the correlations would be to run multivariate regressions on large numbers of countries and variables, in order to narrow down the causal relationships. This is the type of exercise Haber and Menaldo (2011) did in their much-quoted article arguing that natural resource wealth does not necessarily lead to authoritarianism. However, such analyses are not unproblematic (see Papaioannou and Siourounis 2008, 366, 370; Andersen and Ross 2014). A central issue is whether the second-hand data normally used for such analyses actually represent what they are assumed to represent (Mitchell 2009, 423).

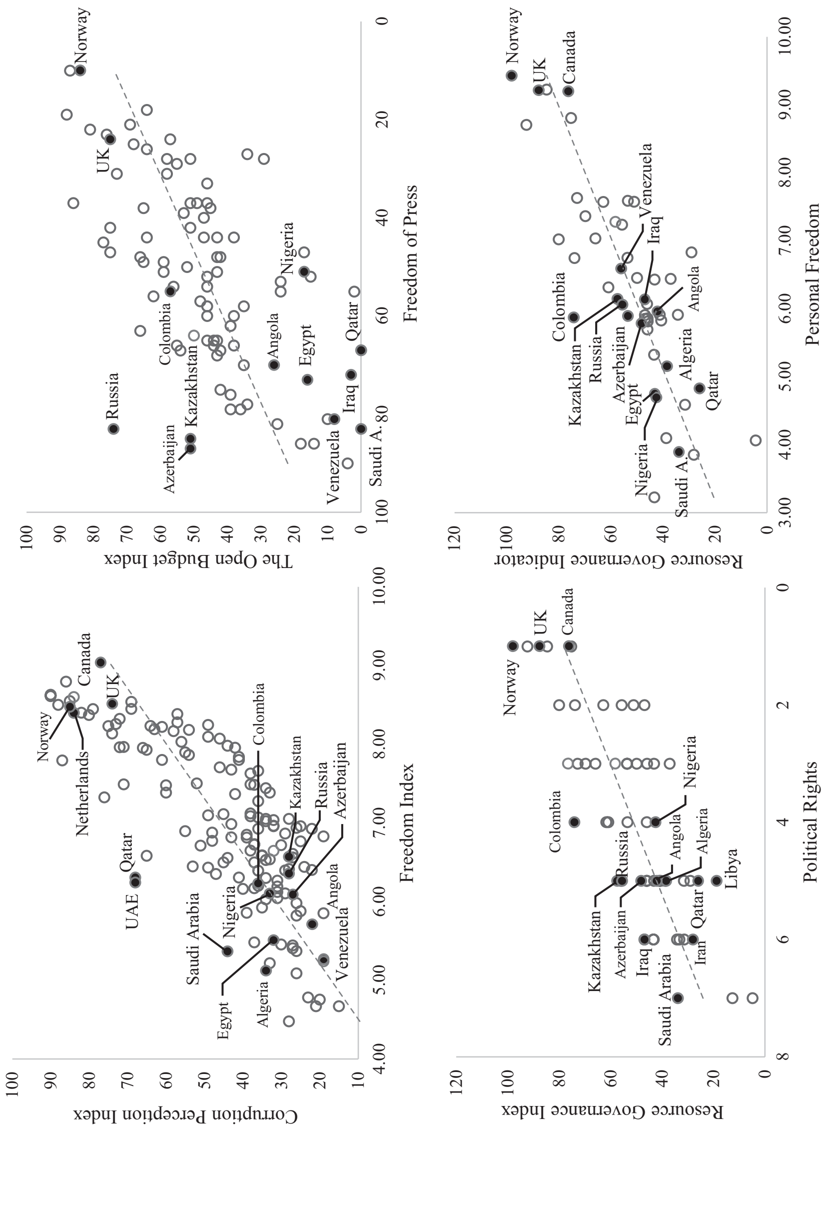

Fig. 1.1 Scatterplots of various indicators for independent and dependent variables. Countries named in the figure are those included as case studies in this book. Sources: CATO Institute 2012; Freedom House 2013; NRGI 2013; TI 2012

An alternative approach is to study individual cases in detail, in order to understand each of them in some depth. This approach has its own weaknesses—not least the subjectivity of those conducting the study and the difficulty of generalizing from one case to another. Such an approach is therefore not necessarily better than a multivariate regression, but it can be useful for exploratory purposes and for attempting to pin down causal relationships.

Country Case Studies

For the purposes of this book, I selected 18 countries and invited relevant researchers to provide empirical input on them in the form of chapters for the book. All the countries are major oil and/or gas producers, so in the rest of the book, the natural resource governance issues raised in this introductory chapter are examined through the lens of the petroleum sector. There are two main reasons for this choice. Firstly, it makes the case studies more comparable with each other. Secondly, few natural resources and opportunities in the world have been wasted on a scale similar to that of petroleum revenues, so understanding how to govern them more effectively is a matter of considerable importance. Together, the 18 countries stand for most of the world's oil exports and much of its petroleum history. The aim is still to provide analysis and draw conclusions that are also relevant for the governance of other natural resources. As a general theoretical concept, public brainpower may even be relevant for a country such as China, where the authorities appear to resist the involvement of the broader public in decision-making.

For comparative purposes, the selection of countries was made as diverse as possible on as many dimensions as possible (see Fig. 1.2). The countries differ on several variables. To ensure geographical and cultural variety, at least two countries were included from each of the world's major oil- and gas-producing regions: the Arab/Persian Gulf, the former Soviet Union, Latin America, North Africa, the Organisation for Economic Co-operation and Development (OECD) countries and sub-Saharan Africa. Thus, the case studies include developed, middle-income and developing economies; democratic and nondemocratic regimes;

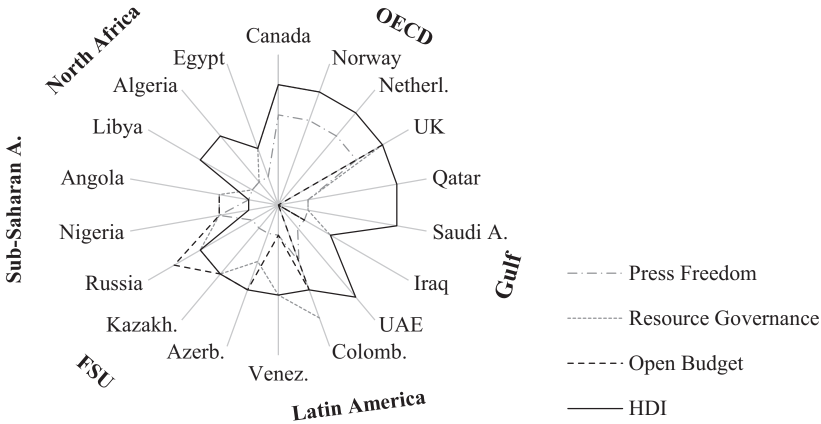

Fig. 1.2 Variation in country cases. The centre of the diagram represents low scores, the outer parts high scores. Sources: Freedom House 2016a, b; World Bank 2015; IBP 2016; UNDP 2014; Revenue Watch Institute 2013

countries ranked high and low on democracy, freedom of speech, governance and corruption indices; members and non-members of Organization of the Petroleum Exporting Countries (OPEC), the EU and the International Energy Agency; as well as countries with predominantly Catholic, Muslim, Orthodox Christian and Protestant populations.

Although it can be useful to categorize these countries along many dimensions as I have done above, each country has its own unique history and setting for the interaction between civil society and the petroleum sector. Iraq is a war-torn country that experienced a US-led invasion and that continues to suffer from ethno-sectarian violence and the meteoric rise and fall of the Islamic State. Venezuela had 17 years of left-wing rule under former president Hugo Chávez and his successor Nicolás Maduro and suffers from the political polarization of its society. Egypt was a significant oil exporter in the 1980s and 1990s but became a net oil importer around 2010 and is haunted by the legacy of former president Hosni Mubarak and the Arab Spring. Russia stands out as a former superpower with 70 years of Soviet history followed by a period of lawlessness in the 1990s and then growing authoritarianism under President Vladimir Putin. Even between Norway and the UK, there is a stark contrast in approaches to the petroleum sector and the involvement of the public in

policy formulation, despite the fact that both countries are West European constitutional monarchies with strong cultural and social ties and have successfully coordinated the development of the North Sea petroleum province across their shared maritime boundary.

Examining and comparing such diverse countries can yield a multitude of perspectives on the relationship between public debate and the management of petroleum resources. The many dimensions on which the countries vary make it possible to take into account factors other than civil society which may affect the management of petroleum resources. If the aim were to test the hypothesis through a multivariate regression, some of the dimensions would be used for the regression itself and the others might be used as control variables. While this study instead attempts a qualitative, case-study approach, it is still helpful to consider the various dimensions in order to understand their role in each of the case studies.

Definitions and Analytical Building Blocks

For the purposes of this book, 'civil society' is defined as the sum of autonomous social actors (individuals and groups) who interact with and exert influence over the state and society (Cox 1999; Hearn 2001). For further discussion of the definition of civil society and some alternative approaches, see Heinrich (2005), Edwards (2004) and Evers and Laville (2004).

'Public debate' is defined as the expression of views on matters that are of concern to the public—often, but not always, with opposing or diverging views being expressed by participants in the discussion. Public debate takes place mostly through the mass media, but also at meetings or through social media, academic publications and government policy documents (for further discussion of the understanding of public debate, see Reichborn-Kjennerud 2014 and Barkho 2016).

The terms 'governance' and 'management' of the petroleum sector are used interchangeably. Drawing on Lahn et al. (2007, 17) and Hults (2012, 62), 'petroleum sector governance' is defined as the socio-political system for making and implementing policy on the exploitation of oil

and gas resources. 'Good governance' of the petroleum sector or of natural resources is defined as translating them into a high human development index score for a sustained period while limiting environmental harm.

The case-study contributors were asked to map the public debate and the role of different actors in influencing how oil and gas resources and revenue are managed. Three levels of analysis relevant for this mapping can be distinguished: (1) the different types of civil society *actors* that may contribute to public debate, (2) the petroleum governance *issues* that may be subject to debate and (3) the *institutions* of petroleum governance responsible for handling these issues. The three next paragraphs discuss these three levels.

The contributors were asked to examine the roles of the following types of civil society *actors* in the public debate on oil and gas governance: companies, educational institutions, foreign NGOs and international organizations, local and national NGOs, individual citizens, the mass media, political parties, religious organizations, think-tanks, trade unions and universities. The following questions were posed about these actors: What role does each type of actor play in influencing how petroleum resources and revenues are managed in your country? Are there any examples of success in influencing the management of petroleum resources? In what ways are non-state actors hindered in influencing petroleum governance?

The list of petroleum governance *issues* that might be subject to public debate and influence, and thus covered by the case studies, is long and includes topics as diverse as the level of taxation on oil and gas, corruption and peak oil (see Table 1.1).[5]

Various *institutions* might deal with these areas of petroleum governance, some of the most obvious being national oil companies, petroleum ministries and directorates, national geological surveys, environmental agencies, central banks and sovereign wealth funds. For the purposes of this book, an 'institution' is defined as a formalized organization; it should be dedicated to one or more specific purposes, have a name and identifiable employees or members, and its existence should be anchored in a written mandate or other text.

Table 1.1 Some petroleum-policy issues potentially subject to public debate

Upstream		Midstream	Downstream	Post-stream
Subsoil ownership	*Supply industry*	*Transport*	*Energy trade*	*Sovereign wealth fund*
– Exploration incentives	– Jobs and industrial dev. vs. Dutch disease	– Oil spills	– Domestic industry vs. export revenue	– Corruption
– National interest	*Oil companies*	– Natural monopolies on pipelines	– Govt. vs. private trading vehicles	– Savings rate
– Indigenous rights	– NOCs vs. IOCs vs. private oil companies	– Transit countries	– Transparency and corruption	– Transparency
Taxation	– Competition	*Refining*	*Energy subsidies*	– Financial risk
– Public interest	– Privatization	– Jobs and industrial dev. vs. Dutch disease	– Energy poverty	– Ethical investment
– Investment incentives	– Transparency and corruption	– Pollution	– Economic stimulus	
– Predictability	– Oil worker pay		– Political discontent	
– Transparency	– Sustainability reporting		– Energy efficiency	
– Enhanced oil recovery	– Corruption		– Climate change	
Environment				
– Local pollution				
– Climate change				
– Peak oil, rate of extraction				

This contrasts with the significantly broader definitions employed elsewhere in the social science literature. For example, Huntington (1965, 394) defines institutions as 'stable, valued, recurring patterns of behavior'. Giddens (1984, 24) sees institutions as 'enduring features of social life', including modes of discourse, political institutions, economic institutions and legal institutions. According to North (1990, 3), 'Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.' Finally, drawing on North, Menaldo (2016, 81) defines 'institutions' as 'the matrix of incentives, constraints, opportunities and beliefs that represent the formal and informal rules of the game'.

Such broad definitions make it hard to see the difference between institutions and culture, social structure or society as such. With such definitions, it is difficult to see why the term 'institution' is needed at all. As a central concern of this book is the relationship between the broader societal context and the institutions of petroleum governance, using a definition that does not distinguish between them could create complications. Furthermore, narrow definitions of social science concepts are generally advantageous because they enable more precise analysis. All-encompassing and diffuse social science definitions of terms like 'institution', 'security' or 'power' sometimes seem driven by the desire of those working in a given subject area to make that area as big and important as possible, rather than to produce incisive analysis.

Some case-study contributors found their task daunting, as civil society and public debate are hardly allowed at all in their countries. In such cases, I asked the contributors to at least try to find out what views or thoughts the population might have contributed to a public debate if it had been allowed—in other words, what repressed views might exist below the surface. However, in some cases even this was difficult to write much about. In many countries, decision-making and policy formulation are so closed and public debate so repressed that it is scarcely feasible to find examples of anyone outside key government organs even attempting to think aloud about how the country's resource wealth should be managed. That is in itself an important finding that speaks directly to the hypothesis of this book: in some petroleum-rich countries, civil society and public debate play hardly any role in the governance of petroleum

resources. According to the hypothesis, in such countries, long-term petroleum governance should be weak.

The rest of the book explores the strength of the hypothesis and its supporting arguments through systematic empirical analyses of petroleum-policy issues in the 18 selected oil- and gas-producing countries. As noted, all these countries are or have been among the world's major oil and gas producers, and thus have much to gain from handling their resources wisely. However, many of them have not.

The penultimate chapter offers highlights from the case-study chapters. The concluding chapter returns to the hypothesis presented in this introductory chapter, ranks 33 resource-rich countries on their success in maximizing their public brainpower, and proposes some tenets for how states can maximize the benefits of free speech and public debate for their own capacity to govern.

Notes

1. Value in 2015 USD, based on data from EIA (2017) on cumulative oil production and value estimated according to oil price and inflation for each year.
2. Engerman and Sokoloff (1997, 2002) argue that differences in natural endowments, especially agricultural resources, have affected the development of institutions. Dell (2010) counters this view with special reference to Peru. Ross (2001) and Tsui (2011) look at oil and Wantchekon (2002) at primary exports; all find that resource dependence is associated with lower levels of democracy and argue that this is due to resource abundance. Wiens (2014, 198) creates a formal model to show that resource revenue makes it difficult to develop strong institutions. Haber and Menaldo (2011) launch a critique of this literature, and of the work of Ross in particular, arguing that most of the findings are due to methodological weaknesses in the regressions applied. For more a detailed overview of this literature, see Boschini et al. (2013, 22).
3. Bulte et al. (2005), Corrigan (2014, 18), Islam (2003), Knack and Keefer (1995), Korhonen (2004, 7, 31), Mehlum et al. (2006) and Robinson et al. (2006) all seek to demonstrate through large-N studies that governance and institutional quality play a decisive role in economic growth and development.

4. Al-Ubaydli (2012), Andersen and Aslaksen (2013) and Ross (2012) all argue that the decisive factors are the quality and strength of institutions before the flow of natural resource revenue starts: countries with weak institutions are more likely to suffer from the resource curse. Countering Sachs and Warner's (1995) claim that institutions are not important because resource revenues are not associated with institutional decay, Mehlum et al. (2006, 3) hold that the role of institutions cannot be dismissed altogether. They hold that states with 'producer-friendly' institutions handle resources well, while those with 'grabber-friendly' institutions handle them badly and tend to become poorer. Boschini et al. (2007, 593) argue that whether natural resources are bad for development or not depends not only on the strength of institutions, which they refer to as 'institutional appropriability', but also on the type of natural resource, especially its 'technical appropriability'. Kolstad and Wiig (2008) find that transparency is a necessary but not sufficient condition for reducing corruption.
5. On the importance of decision-making on some of the petroleum-policy issues listed, see Stiglitz (2005, 14, 16, 17).

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2

Algeria: Oil and Public Opinion

Paola Rivetti and Francesco Cavatorta

Introduction

When the Arab Spring began in Tunisia, events there had immediate reverberations on neighbouring Algeria, as scholars enthused about the prospect of civil society-driven democratization. However, the Algerian public and ruling elites were much more sceptical about the unfolding events. Two factors indicated that change would not come quickly to Algeria: the legacy of the civil war of the 1990s and the availability of revenues from natural resources that could be used to buy off potential dissent (Volpi 2013).

How the Algerian ruling elites employ oil and gas rents to control society has been explored in several studies over the course of three decades (Garon 1994; Entelis 1999; Aissaoui 2001; Darbouche 2011). The policy of control has also had unintended consequences that have

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made decisions about the use, distribution and effects of rents controversial topics of public discussion. This chapter focuses on a different, but relevant, expression of civil engagement far from the mainstream understanding of civil society as being synonymous with NGOs. This is in line with recent findings in Middle East Studies which, after the uprisings, have called for a broadening of the understanding of 'civil activism' to include apparently non-political activities that nevertheless contribute to putting the spotlight on governmental choices and policies (Aarts and Cavatorta 2013). Civil engagement in Algeria represents a clear example of 'upgrading authoritarianism': the ability of incumbent regimes to implement liberalizing measures without genuinely democratizing (Heydemann 2007; see also Overland 2012). Such upgraded authoritarianism entails unintended consequences that need to be taken into consideration, particularly in light of their longer-term transformative potential.

This chapter begins by briefly reviewing the constraints on civil activism and engagement in the country. It then turns to the views voiced by the public concerning how natural resources are managed in Algeria. Here we distinguish between government institutions, political parties, research institues, media, and finally citizen mobilization. In a setting where civil society and public debate are controlled, different types of mobilization function as 'venues' where members of the public can express their views. For analytical purposes, we will distinguish between violent and non-violent mobilization. Finally, we discuss the implications of the analysis for the future of state–society relations in Algeria as regards the issue of hydrocarbons.

Civil Engagement Under Authoritarian Constraints in Algeria and the Role of Natural Resources

Algeria's civil society is a clear example of the difference between civil activism and genuine pluralism (Jamal 2007). The country presents an apparently lively civil society—the official number of national associations

stands at 1027 and the number of local associations is over 92,000 (ICNL 2014). There is a considerable degree of associational life with advocacy groups working on human-rights-related issues, active in the charity sector as partners in the development of public policies and generally scrutinizing the authorities. In addition, the Algerian press is freer than in most other Arab countries, although it still scores poorly on the freedom of the press index (Reporters and Frontiers 2014). Finally, there is a pluralistic party system with parties of all ideological persuasions competing in regular elections.

On the other hand, Algeria also has a stagnant authoritarian political system with a high level of corruption (Transparency International 2014). The president has modified the constitution twice in order to be re-elected and non-elected members of the intelligentsia and security services dominate policymaking. Moreover, the powerful repressive apparatus has been reinforced with the hiring of new policemen and security agents, made possible by the boom in oil and gas revenues. Thus, as Amnesty International (2014) concludes:

> [D]espite emergency law having been lifted in 2011, freedom of expression, association and assembly are still restricted. Although Algeria is an oil producer, social and economic problems continue to plague the country and are enhanced by corruption, increasing living costs, high unemployment and housing crisis.

According to the International Centre for Not-for-Profit Law, while civil society organizations exist in significant numbers, 'the new Law on Associations of 2012 created additional restrictions on the freedom of association, and generally fails to protect the right in line with Algeria's international obligations' (ICNL 2014). Furthermore, as former Minister of Communication and Government Spokesperson Abdelaziz Rahabi has argued, 'today's civil society … is the direct emanation of the state. It does not have any critical stance when it comes to government policy' (Imadalou 2015). Finally, there is very little meaningful political participation in elections because they are believed to be of no real consequence. Unsurprisingly, some scholars refer to Algeria as a 'bunker state' where all important decisions are the out-

come of shady processes of intra-elite negotiations—between generals, intelligence officers, high-ranking bureaucrats and key politicians—without meaningful influence from political parties or civil society organizations (Henry 2004).

The capability of the Algerian regime to tolerate civil society while disempowering it is related to the role that natural resources play in strengthening the ruling elite and upholding the status quo. The availability of hydrocarbon rents makes possible the control of shifting balances of power in society and rewarding some social groups to the detriment of others (Haddad 2011; Achcar 2013). A major problem is that the way in which the revenues are distributed is entirely opaque. Societal and political actors, such as business associations, trade unions or established political parties, are often reluctant to speak out—either because they fear repression or because they also derive benefits from the redistribution of hydrocarbon revenues. A 2014 article in the newspaper *El Watan* underlined how business associations, traditionally seen as crucial actors in promoting political transparency, had in fact sided with the regime from the early 2000s to the present day:

> [T]he FCE (Forum of CEOs) headed by Redha Hamiani supported all of Bouteflika's decisions. He even supported Bouteflika's candidacy in the 2004 and 2008 presidential elections. All of the other business associations followed the FCE on this. There has been very little criticism of economic policy during the last fifteen years. Algerian business leaders have been incapable, during this time, to develop a powerful advocacy role and have refused to adopt a discourse that opposes the decisions made and proposes alternatives. (*El Watan* 2014)

There is therefore very little advocacy in oil politics in Algeria, even though the people are aware that revenues are misspent or misappropriated.

However, despite the strength of the mechanisms of co-optation and repression, public opinion is far from subservient. While dissenting or critical opinions have not yet led to attempts at removing the current regime, they highlight the existence of a fragile but important plurality of voices on how oil and gas rents should be managed.

Public Opinion and the Natural Resources Industry: Dissonant Voices

In Algeria, discordant voices about governance-related issues have emerged from time to time despite the heavy-handed nature of Algerian authoritarianism. As the French-Algerian scholar Amel Boubekeur (2014) has observed:

> [The absence of] an Arab Spring-style uprising against Bouteflika in 2011 does not mean that contestation has disappeared. Disillusioned Algerians reject the binary opposition of revolution or pseudo-democracy. They are increasingly resorting to demonstrations, riots, sit-ins, protest marches, uprisings, strikes, hunger strikes, and even self-immolations; in so doing they are aiming less to overthrow the regime than to create leverage for negotiations.

The clientelistic nature of redistribution creates discontents, which can then adopt various forms of engagement to debate how the hydrocarbons sector should be managed, how the money should be spent, as well as the consequences—economic, political or societal—of relying on such an industry. Although these forms of engagement have not turned into coordinated campaigns for political change at the national level, there are numerous loci of discussion—and even revolt—with which the regime must contend (Dahou 2015).

Research Institutes, Political Parties and Organizations and the Hydrocarbons Sector

Although certain quarters have questioned the genuine autonomy of the research institutes that are part of public discussion about the state and future of the country, some of these think-tanks have begun to affect the way in which economic and political elites reflect on policymaking. NABNI is a think-tank founded in 2011 with the purpose of 'beginning a new era between government policy-making and its relations to citizens

with a view to implement the rule of law' (NABNI 2015e). While the bulk of the institute's work involves promoting political reforms to enhance democracy and individual freedoms, it also takes up issues related to economic policymaking because it wants to promote a type of economic development 'disconnected from hydrocarbons rents' (NABNI 2015e). NABNI is active in promoting its own positions in the public domain through conferences and other open events that provide credibility and visibility. NABNI's work is given significant coverage in the *Huffington Post Algeria* and other media outlets. In February 2015, NABNI published a policy report in the national press denouncing the lack of proper governmental reactions to the falling oil price:

> [T]he status quo is no longer tenable. The FRR – Fonds de Régulation des Recettes [sovereign wealth fund] will dry out around 2017 … the currency reserves as well. The balance of payment has been negative since 2014 and all efforts at economic diversification have failed. The business climate has been deteriorating rapidly and foreign investments are in decline. In addition, it is likely that by 2020 there will be no gas left to export. (NABNI 2015a)

The NABNI report follows up this criticism of government policy and the inability of the ruling elites to think differently about oil and gas rents with its own plan for how Algeria should react and the types of policies it should adopt with a view to long-term development (NABNI 2015b).

A crucial issue in this action plan is management of the sovereign wealth fund, created in 2000 to manage the surplus derived from the export of oil and gas. In particular, NABNI advises the government to put to use the money amassed in the sovereign wealth fund, rather than saving it. In a context where the oil price continues to fall, but the sovereign wealth fund is still in good shape, the government's reaction has been to stop investing sovereign wealth fund money, in order to make savings. That is what NABNI criticizes (NABNI 2015c):

> [T]his is precisely the mistake made in 1985: public investments were halted, consumption and redistribution were paid for by contracting debt and reforms were delayed. It was the easy thing to do: delay the shock through a reduction in expenses while leaving the rentier system untouched.

On the contrary, according to NABNI, 'it is important to identify the necessary short-term reforms to enable the country to create the conditions for exiting the rentier system' (NABNI 2015c). Proposed reforms include decreasing the fiscal burden on private companies in order to attract FDI, reducing state support to public institutions and private enterprises to increase their activity and value on the market, and reducing public subsidies for energy prices and consumption (NABNI 2015d).

Another think-tank particularly active in proposing alternative economic policies to those currently in place is the Cercle d'action et de réflexion autour de l'entreprise (CARE). It organizes public events, discussing the transformation of the Algerian economy to make it less dependent on the energy market through use of the surplus created by that same market. In particular, as pointed out by Abdeldjellil Bouzidi, lecturer at la Sorbonne Nouvelle invited to Algiers for a debate on the Algerian sovereign wealth fund, the surplus accumulated should be used to stimulate private, innovative and competitive enterprises, to enable a deep-going reform of the whole national economic system (CARE 2015). In April 2015, CARE organized another public conference in Algiers focusing on public–private partnerships as a potential solution to declining state revenues due to decreasing oil prices (CARE 2015).

However, the state and its budget seem to be differently oriented. The 2015 budget, for instance, anticipated USD 110 billion in spending, of which more than half would be used to cover expenses for running public institutions, a cost that is rising quickly. From 2014 to 2015, public expenditure rose by 14% (Taleb 2014). This expenditure is financed mainly by the sovereign wealth fund. Against this backdrop, NABNI has expressed its disillusionment with a budget law that has failed to break with the past, and has denounced the government for perpetuating an economic model based on a rentier economy instead of engaging in the changes that would allow Algeria to disentangle itself from such a rentier system. In a declaration released in April 2015, NABNI called on the government to 'free the economy from the dependency on rents in order to finally break with the rentier excesses that fuel an ephemeral wealth' (Rondeleux 2014).

Think-tanks proposing neo-liberal reforms and cuts to public expenditure are not alone in voicing concerns and discontent with the man-

agement of the sovereign wealth fund. The economic reforms proposed by both NABNI and CARE are very much in line with the 'structural reforms' promoted by international financial organizations such as the World Bank. Also political parties have criticized the government—especially over issues of transparency. On the occasion of the presentation of the 2014 budgetary law and the parliamentary discussions on it, deputies of the Front des Forces Socialistes (FFS), a social-democratic party and the second largest opposition party in the parliament, demanded that the government report on the opaque management of the sovereign wealth fund. In particular, the government should detail how funds of the sovereign wealth fund have been included in the annual financial bill (budget law) and how they have been spent. According to the deputies, it was not clear how that money had been invested (*Le Soir d'Algérie* 2014).

In addition to political parties, state institutions have begun to voice their opinion on the management of Algeria's economy and, consequently, oil and gas rents. While such institutions do not necessarily fall into the category of 'civil society organizations', their public interventions are important insofar as they indicate that there is some debate around this issue, also within the ruling elites. While the regime has been able to ignore demands for radical change coming from outside its own ranks, diverging opinions exist within the elite itself on the possible impact of falling oil prices on the broader national economic system.

In December 2014, the governor of the Central Bank, Mohamed Laksaci, transmitted a message to the parliament that diverged from the government's official position on the presumed capacity of the sovereign wealth fund to cover the state deficit. The oil-price collapse in 2014–2016 limited the availability of a rent surplus, opening a new scenario in which an entirely new economic plan would be needed (*Huff Post Maghreb* 2014). Mohamed-Seghir Babès, president of the Conseil National Économique et Social (CNES, a permanent administrative body of the state) also voiced similar concerns and called for a reduction in public subsidies and in favour of a better planned, better targeted subsidy reform which could reach those who are really in need of state support (*Huff Post Maghreb* 2014). Even within the government, this view would find sup-

porters. As reported in the political magazine *Jeune Afrique*, former Minister of Finance Abdellatif Benachenhou does not endorse the views of President Bouteflika regarding economic policy (Alilat 2015).

Such discussions have been going on for several years, with media, opinion-makers and state institutions debating the management of the sovereign wealth fund and the need to reduce state dependence on oil and gas rents. A serious political confrontation that crystallized this debate occurred during the parliamentary debates on the 2015 financial bill. One-third of the national assembly boycotted the debate on the financial bill, dissatisfied with how the government had ignored the views of opposition parties that had called for tighter control over the use of funds from the sovereign wealth fund to cover state expenses. For instance, Yahia Bouklal (Front des Forces Socialistes, FFS) declared that 'what is really worrying is that the deficit persists' and then asked rhetorically: 'when will the FRR [sovereign wealth fund] be drained?' The Rassemblement National Démocratique party also called for a rethinking of public expenses (Algerie Press Service 2015). Despite the intensity of the parliamentary confrontation, the law was approved in November 2014. The journalist Cherif Ali (2015), writing in the daily *Le Matin*, put forth the hypothesis that an agreement between the government and members of parliament, including opposition deputies, had been struck to secure approval of the budget. Indeed, before voting on the budget, deputies had voted for an increase in their pensions and the possibility to access funding and accommodation at privileged rates and with no taxation. According to Ali, that was merely the most recent case demonstrating the unaccountability of the elected representatives.

This type of reporting and criticism of the political system is widespread in Algeria, largely because the security services do not seem to consider it particularly dangerous, as few people read the newspapers or are very interested in politics. Moreover, most members of the public are already fully aware of the shortcomings of the system. Still, when research institutes, key figures within the establishment and journalists debate and/or cover issues related to economic policymaking and, notably, dependence on oil and gas, their arguments do have an impact on public opinion.

Mobilization of Citizens

In such a context, it is not surprising that diverse citizens' initiatives have been increasingly evident in public life. Civil activism includes more than the lobbying activities of NGOs, research institutes and political parties as described above. In fact, ordinary members of the public have been mobilizing for some time through increasingly radical and confrontational means.

In January 2013, the Algerian government authorized the exploitation of shale gas in order to increase revenues from the hydrocarbons sector. This happened in a very opaque manner, with no public debate, and the potential negative aspects of such a decision were not openly discussed (Hamouchene et al. 2013). By 2014, the plan for exploiting Algerian shale gas succeeded in attracting the interest of some of the world's major oil and gas companies, including Eni, ExxonMobil, GDF Suez and Total. In 2014, Algeria announced plans for USD 70 billion in investments in shale-gas extraction, as prices for the country's main export, crude oil, fell to a 6-year low and demand for gas in Europe, Algeria's largest client, significantly dropped. In early July 2014, the government announced the drilling of four shale-gas wells in the Illizi Basin (in southeastern Algeria) and the Ahnet Basin (in southwestern Algeria) by the end of the year (Nield 2014).

The project drew criticism from the start, for several reasons. First, it appears that only a small proportion of the field is likely to prove commercially viable. Industry expert and former senior official at the energy ministry, Ali Kefaifi, estimated in 2014 that out of 20 trillion cubic metres of recoverable shale-gas reserves, only 2–4 trillion cubic metres would be commercially viable (*The Economist* 2014). Second, there are several issues concerning the logistical infrastructure necessary for exploiting the reserves, extending the web of wells that would need to be drilled. This investment might also prove misplaced: uncertain gas prices might not justify the investment; with the recent discovery of several gas fields in the Eastern Mediterranean and Tanzania, gas prices could become significantly lower (Nakhle 2015). Finally, fracking and shale-gas extraction have significant environmental costs (Overland 2015). The chemicals that are used in the process could have a polluting effect on aquifers. Additionally, the use of large volumes of water is

essential to the extraction process—a point of great concern to many Algerians, who already have limited access to water and who see this technique as a waste of a precious resource. Algeria's independent media and members of the opposition have highlighted the financial and environmental risks involved, and this aspect has been crucial in motivating the protest movement that has been taking shape in the country.

In many ways, popular mobilization in southern Algeria against the development of shale gas represents a first in the country's political history: traditional channels of communication with decision-makers in the capital have been bypassed in favour of direct action. This is particularly the case in Ain Salah, a town close to the proposed test-drilling sites. In December 2014, when the government announced the drilling of the first shale-gas well in the town, with no prior notice, protests broke out in the nearby communities of Ouargla, Illizi, Ghardaia, Timimoun, Adrar, Bordj Badji Mokhtar, Oum El Bouaghi, Bejaia, Ain Beida and Ain Salah itself. In solidarity with protestors in Algeria, migrants and diaspora communities mobilized in Europe as well (Platform London 2013). In addition, Algerian communities suffering from the negative environmental and social effects of the existing hydrocarbon industry started organizing to put pressure on the authorities to address these issues, linking them with the newer protests against proposed fracking. For instance, a plea for a moratorium on fracking, signed by members of the anti-fracking group 'Non aux Gaz de Schiste', was submitted to the president on 19 February 2015. The journalist Rachida Larmi (2015) commented:

> The plea was more of a dossier than an open citizens' letter, containing precise and informed data, overwhelming evidence in photographs proving existing pollution affecting the health of the indigenous population and local environment, and major failures in post-drilling protocols through blatant and total disregard of health and environmental regulations.

According to Yaqin Husamuddin (2015), an Algerian journalist, the protest movement against shale gas shows that something has changed in the self-perception of the people of southern Algeria. He

highlights two main factors: the boom in Algerian independent media outlets and social networking sites, which have helped to unveil the misdeeds of the authorities and make it possible for people to connect with each other, especially in areas under-represented in the mainstream media, and the rapid rise in educational levels, especially in southern Algeria.

Although these protests have taken place mainly in the southern part of the country, they represent a concern for the national authorities: not only might they exacerbate the north–south divide, but they might also drive broader criticism against the government, with demands for more transparent energy policies. An article by Nidam Abdi (2015) for the French online news service *Les Echos* observed that in Ain Salah, 'the movement created in opposition to the exploitation of shale gas is a political earthquake in a country used to see hydrocarbons politics made exclusively by and for the ruling elites and its clients in industry'. In fact, apart from environmental concerns and possible anti-colonial feelings (the major exploiter is the French company Total, and in France fracking methods have been banned due to environmental concerns), there is also resentment against the north and the management of the revenue generated by natural resources. Local residents have declared, 'the south has the cow but the north has the milk', revealing deep discontent over the absence of genuine wealth redistribution (Gall 2015). As Ghilès (2015) put it, 'what Algerians are debating is the quality of governance, the accountability of those who run Algeria and the transparency of official policy'.

Southern Algeria has been seen by the northern part of the country as a mere reservoir of natural resources, and lack of consideration for those living in the south has resulted in a lack of investment in southern cities, where infrastructure has remained underdeveloped. As reported by the Middle Eastern online news service *Al Monitor*, a member of the environmental committee in Ain Salah told the daily *El Watan* in January 2015: 'we neither benefited from traditional gas nor from petrol proceeds. Shale gas will deprive us of the little good that we have left', namely, the water underground and the possibility of continuing with desert agriculture (Tamlali 2015).

Despite the protests, the government decided to carry on with the shale-gas project, once again highlighting the limits of civil activism in what remains an authoritarian country. The only thing the protesters achieved was that the Prime Minister Sellal announced that the plan would apparently not be implemented until 2022 (Middle East Eye Staff 2015). The protests in the south are important also because they complement the engagement of more formal institutions and civil society actors in hydrocarbons policy in the country. However, the resilience of the country's authoritarian system does not seem to permit the radical change that such actors demand, and that is necessary to lift the vast majority of Algerians out of poverty and social disenfranchisement.

On the other hand, the absence of change can make the mobilization of the general public, which has remained largely peaceful thus far, more violent. For instance, the Algerian security forces intervened forcefully against members of the public who got close to an industrial facility owned by Halliburton to protest against drilling for shale gas (Gall 2015). More significantly, there was the case of the 2013 attack on the Tiguentourine gas facility, in the region of In Amenas in south-eastern Algeria. The attack, followed by a hostage crisis during which some 40 people were killed—including several foreign oil company staff—was carried out by Mokhtar Belmokhtar's al Qaeda in the Maghreb, in collaboration with local groups like Lamine Bencheneb's Sons of Sahara for Islamic Justice. The Algerian military guarded the Tiguentourine plant, a joint venture between BP, Sonatrach and Statoil, accounting for 10% of Algeria's natural gas production and generating revenues of approximately USD 5 million per day (Armstrong 2014). According to the Algerian journalist Yassin Tamlali (2015), this episode of violence is not disconnected from the political repression and material deprivation experienced in the south. Little oil revenue reaches this region, and political control is tight because of fears of unrest, to which the jihadist threat has now been added. Hannah Armstrong (2014), research fellow at the Institute of Current World Affairs, has advanced a similar view. She notes how the anti-fracking protest movement in the south of Algeria has remained peaceful despite repression and how harsh living conditions are for the local Saharans. For this

reason, stifling a peaceful movement demanding financial transparency, environmental protection and sound economic management entails considerable risks.

Conclusions

It would be difficult to argue that petroleum policymaking in Algeria is subject to extensive scrutiny on the part of social and civil actors, as the country exhibits all the features of a classic authoritarian rentier state (Luciani and Beblawi 1987). Decision-making processes on hydrocarbons policy and the distribution of rents remain non-transparent, and even elected representatives are excluded from the decision-making process. At the same time, there are rising demands for greater participation in the opaque decision-making process because of the importance of oil and gas policy to society. Although they do not determine petroleum policy, Algeria's civil society actors are increasingly capable of exerting some influence by employing a range of methods. Research institutes put forward alternative policy proposals through the media and organize activities such as public conferences, in the hope that a better-informed public and policymakers may improve the situation. Some political parties and individuals within key institutions like the Central Bank appear to recognize the need for an overhaul of hydrocarbons policy and have started advancing their views more forcefully. However, pressure is coming not only from more established actors and entities: citizen mobilization is also increasingly significant. In particular, environmental and economic concerns over the exploitation of shale gas have fuelled protests across southern Algeria. While the government seems bent on refusing to engage, there is concern that the protests might get out of hand and turn violent.

Like several Arab Gulf states, Algeria has managed to avoid the Arab Spring because of its ability to turn on the revenue tap and the effectiveness of the security services in suppressing dissent. But employing rents to secure regime survival is not a long-term solution. Civil society actors offer criticism and alternatives that might provide for better manage-

ment of the country's hydrocarbon revenues. If they were to gain more visibility and credibility, that would put them on a collision course with the authorities.

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3

Angola: Civil Society Actors and Petroleum Management

Jesse Salah Ovadia

Introduction

Civil society can best be understood as a terrain upon which various autonomous social actors (individuals and groups) interact with and exert influence over the state and society (Cox 1999; Hearn 2001). In Angola, the space open to contestation has varied considerably in recent decades. Following the end of Portuguese colonial rule in 1975, armed civil conflict erupted between two of the country's liberation movements: the Movimento Popular de Libertação de Angola (MPLA), an urban movement which controlled the government, the capital city, Luanda, and most of the population; and the União Nacional para a Indêpendencia Total de Angola (UNITA), a more rural-based movement. Both political parties tightly controlled civil society within the physical terrains that they commanded. Until 1991, the MPLA led a Marxist-Leninist one-party state. Trade unions, professional associations, the media and virtually all other organizations were formally affiliated with the MPLA. Only the Catholic Church retained its autonomy.

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The space for autonomous actors opened gradually in the 1990s and the early 2000s. With the military defeat of UNITA in 2002, the space became yet wider, but it contracted again in recent years. Still, according to Soares de Oliveira (2015, 104), the MPLA has undertaken 'shaping and restricting of the "civil society" nominally outside the party state' and has co-opted the media, civil society organizations, professional guilds, the opposition and other civil society spaces. The MPLA government, led by President José Eduardo dos Santos since 1979, remains highly authoritarian and distinctly unfree. Dos Santos stood down for the legislative elections scheduled for 2017, though he will remain as head of his party for several more years.

Oil wealth has been crucial to the MPLA's survival. Oil blocks off the coast of the enclave of Cabinda have been operated by the Cabinda Gulf Oil Company (CABGOC) since the late colonial period. Now part of the Chevron Corporation, CABGOC supplied the Angolan state with much-needed foreign currency; in return, the state provided security, stable labour relations and a steady and predictable regime for oil extraction. The 1976 nationalization of *ANGOL de Lubrificantes e Combustíveis SARL*, a subsidiary of the Portuguese company SACOR, created a national oil company for Angola, the *Sociedade Nacional de Combustíveis* (Sonangol). Since the 1970s, Sonangol has managed the petroleum sector, playing a dominant role over even the Ministry of Petroleum and reporting directly to the president. Although it has been well managed, the petroleum sector has been deliberately kept opaque. During the civil war, what Tony Hodges (2004) and Steve Kibble (2006) have called a 'Bermuda Triangle' existed between the Presidency, Sonangol and the Central Bank, bypassing the Ministry of Finance and allowing oil revenues to be secretly used for arms purchases and other activities crucial for maintaining power. Since 2002, and despite pressure from national and international non-governmental organizations (NGOs) to improve transparency, there have continued to be very few avenues through which civil society actors can influence petroleum management in Angola.

In the wake of the 2014–2016 oil price shock, Angola faces difficult decisions as regards the national budget and the structure of the petroleum industry (Ovadia 2017; Ovadia and Croese 2017). The organizational structure of Sonangol and its core strategies are being revisited.

However, there have been few opportunities for civil society organizations to participate in decision-making on these issues. The only signs of these internal discussions are rumblings and informal comments from Angolan officials—often passed on by local civil society leaders without much detail—and the occasional information leak. For example, a leaked internal Sonangol memo that was circulating in the autumn of 2015 indicated that there was disagreement among top executives and party leadership about Sonangol—its strategic priorities and continued involvement in subsidiaries and activities outside of its core business areas.

Angola also faces choices about local content policy because of the increasingly unfavourable climate for foreign investment in the petroleum industry and growing difficulties in maintaining its de-dollarization policies. To date, no consultations have been held—formally or informally—on these issues.

Vines et al. (2005, 24) noted: 'Angola still lacks a social contract that would enable civil society organisations to hold government or service providers accountable.' Still, they argue, 'civil society has been emerging and is not a monolith'. Soares de Oliveira (2015, 105) writes that the MPLA has essentially chosen a hybrid option between acceptance of civil society and repression that involves filling the social space with its own civil society organizations and its own opposition political parties, 'politically and materially supported by the state'. In an insightful article on Angolan civil society activism, Vidal (2015) holds that civil society actors have had to choose between two opposing strategies: 'constructive engagement' or 'political defiance'. Over time, he argues, civil society activism has moved from 'reformism' and 'confrontationism' to 'ultra-confrontationism' with a younger generation resorting to new methods of defiance. The choice that organizations must make reflects the difficult line that civil society organizations must walk in order to offer criticisms of government policy 'within the limits of the system' (Ovadia 2016, 148).

Despite Vidal's impression that civil society activism is becoming more directly confrontational, it is not entirely clear that this is in fact occurring. This chapter examines some of the key actors in the sphere of civil society in Angola—NGOs, the media, religious organizations, political parties and individual citizens and small informal groups of individuals,

with particular reference to their ability to influence petroleum management—in order to evaluate their agency and autonomy as regards influencing the public debate. In view of the MPLA's renewed clampdown on civil society and increasingly heavy-handed tactics in recent years, I argue that the balance of forces prevents both reformist and confrontational approaches from having significant impacts on the management of petroleum resources. This, in turn, makes it more difficult for Angola to overcome some of the negative outcomes associated with the resource curse.

Non-governmental Organizations in Angola

All NGOs in Angola, not just those seeking to influence the governance of the petroleum sector, must choose between strategies that Vidal calls 'reformist' and 'confrontationist'. Most visible, legally registered NGOs have generally opted for a reformist approach of constructive engagement. Rather than being emblematic of 'neoliberal institutionalist thinking' or the genuine belief that the government can be reformed from within, as Vidal (2015, 83) indicates, this choice reflects at least partial recognition that the pursuit of regime transformation brings harassment, intimidation and violence—through formal state institutions with the very real possibility of arrest and imprisonment and through more informal agents of the state.

There are limits to what NGOs can accomplish through reformism. As Vidal (2015, 84) points out, although they have received more funding and support from donors, the 'reformists' have 'not been able to participate in any sort of policy decision-making structures'. However, several Angolan NGOs have made vital contributions to poverty alleviation, education and rural development. For example, the country's largest NGO—*Acção para o Desenvolvimento Rural e Ambiental* (ADRA)[1]—has reached large parts of the country with its high-impact projects. The organization is one of many that advocate decentralization and what they call 'substantive transparency' in the oil sector, on the part of government as well as international oil companies (Ovadia 2016, 149).

ADRA has also contributed significantly to the debate on petroleum management as it pertains to the distribution of petroleum revenues,

through advocacy for better and more targeted development spending in the state budget. With the Social and Political Monitoring Centre of Angola (OPSA), ADRA analysed the 2011 state budget and recommended the redistribution of spending to direct more funds to the priority areas of health, education and agriculture (ADRA and OPSA 2010). As a partner in Norway's Oil for Development project (see Chap. 1 in this volume), ADRA has promoted a national education initiative and greater awareness of the budget and lobbied members of the National Assembly. However, as Sérgio Calundungo, who was then Director of ADRA, lamented, achieving a real impact is difficult: 'We passed our opinion to the National Assembly, but the government doesn't have a lot of dialogue on the budget. This is the problem. There is not dialogue between the government and society.'[2] Another NGO that has worked on gender advocacy and gender budgeting is *Plataforma Mulheres em Acção* (PMA). This organization, which works closely with Norwegian People's Aid, has tried to influence the state budget by pointing out issues that disproportionately affect women and children, but it still lacks basic capacity to conduct such analyses (Ovadia 2016, 152).

According to one Angolan civil society leader, while dialogue is sometimes possible, achieving change has become much more difficult 'because of the government's power and oil wealth'.[3] Even 'reformist' NGOs face great difficulty operating in this context and within what another prominent Angolan civil society leader calls a 'culture of secretism'.[4] For example, many Angolan NGOs have been reluctant to formally join the Publish What You Pay (PWYP) coalition for greater transparency. As Mouan (2015, 223) notes, the Open Society Initiative of Southern Africa–Angola (OSISA–Angola), a key organization in that coalition, has significant Angolan staff and can in some ways be considered a national NGO. However, having witnessed what happens to Angolan NGOs that take more confrontational approaches, one civil society leader acknowledged that many NGOs choose to couch any criticism of the regime in 'safewords' that will not anger the regime. The main thing to avoid, he said, was direct criticism of the president, but other direct criticism can also be risky.[5]

In March 2015, a Presidential Decree similar to a law passed in Russia in 2012 set new conditions for NGOs in Angola, requiring all NGOs to

register with the government and international NGOs to register with the Foreign Ministry.[6] New regulations on NGO financing and limits on the freedom to operate without supervision add new restrictions in an already highly repressive environment.

In sum, for NGOs in Angola, the space for direct confrontation is limited. Some dialogue may be possible, but participation in policymaking is non-existent and confrontation can bear a heavy price.

The Media in Angola

Prior to the end of the civil war, independent media outside the capital, Luanda, were virtually non-existent, with the exception of the Catholic Church's *Rádio Ecclesia*. Several independent newspapers dating back to the 1990s operated in Luanda and were quite critical of the government. This first wave included *Seminário Angolense, Agora, Folha 8* and *A Capital*. A second wave of independent media began in the 2000s with *Novo Jornal*, which tried to operate as a more balanced but free press representing a range of opinions.[7] However, in June 2010 independent newspapers came under attack when *A Capital*, *Seminário Angolense* and *Novo Jornal* were bought by a previously unknown company called 'Media Investments'. Prominent journalist and anti-corruption advocate Rafael Marques was forced to leave *Seminário Angolense,* and many independent voices were silenced. An Angolan professor of journalism describes the situation as one in which the media is 'totally shut up'.[8]

The state-owned newspaper *Jornal de Angola* and *Rádio Nacional* reach across the country but almost never criticize the government in any way. While some space still exists for independent media, there have been numerous cases where blackouts were imposed on independent radio stations, copies of independent newspapers were seized, journalists faced harassment after publishing a particularly critical story, and experts were fired from government positions for a negative quote in a newspaper (Ovadia 2016). However, as Action for Southern Africa (ACTSA)'s *Angola Monitor* notes, 'To get factual and what they see as unbiased coverage of what's going on in the country, many Angolans look to news outlets in Portugal.' Now, it claims, 'there are reports the Angolan

government is investing in Portuguese media outlets' to control these as well. 'By buying up and gaining influence over an increasing number of Portuguese media outlets, the Angolan government is said to want to more tightly control what Angolans are reading about their country and their government. By putting their own versions of events in Portuguese news outlets the Angolan government may increase their credibility within Angola' (*Angola Monitor* 2015).

One of the best-known independent voices in Angola is Rafael Marques de Morais. Marques has had considerable impact on public discourse by using his website, *Maka Angola* (Marques de Morais 2014), to report on matters like changes to the state budget due to the oil price shock, possible corruption in the sovereign wealth fund and various other allegations of corruption. Some of his high-profile impacts include exposing Cobalt International Energy's involvement with a company owned by senior government officials and detailing overspending in several ministries (construction, urbanization and housing, transportation, education, energy and water).

Like others who confront the Angolan government, Marques has received some harsh treatment despite being in the international spotlight. After failing to sue Marques in Portugal, a group of Angolan generals pursued charges against him for publishing a book about human rights violations in the diamond industry, *Blood Diamonds: Corruption and Torture in Angola* (Marques de Morais 2011). Even after a settlement had been reached with the generals, an Angolan court in May 2015 considered a total of 24 charges and unexpectedly gave him a 6-month suspended sentence for malicious prosecution, without addressing the validity of the allegations made in his book. The sentence has been roundly condemned by human rights groups.

Political Parties, Trade Unions and Religious Organizations in Angola

For the sake of brevity, I discuss political parties, labour unions and religious organizations together in this section. Soares de Oliveira (2015, 110) notes that 67 parties were disbanded by the government in 2013.

Many had been acronyms alone, and many had been created by the MPLA for 'mischievous' reasons. He argues that only UNITA, the PRS and more recently CASA-CE are 'real parties'. According to Justino Pinto de Andrade (2009), an academic and long-time opposition figure, it is the inefficiency of political parties that has forced progressive groups to engage more in civil society activism. Indeed, the opposition parties have made few inroads in the vastly unequal contest with the MPLA. UNITA has lent some tentative support to the 'ultra-confrontationist' protests, described below. As Amnesty International (2014) notes, UNITA called for nationwide demonstrations after two of their members were abducted and killed by state security agents in 2012. Although all legal requirements for holding peaceful demonstrations had been followed, the authorities had refused to allow the demonstration to proceed. This incident demonstrates that the threats felt by other civil society actors are also felt by the second-largest political party in Angola.

Trade unions which were previously integrated into the MPLA face similar limitations on their freedom of expression and association. The 'Autonomous Trade Union of Employees of the Cabinda Gulf Oil Company' (SAECGOC) turns out to not be very autonomous. In fighting the increasing casualization of labour and use of private manpower agencies to contract out labour needs, SAECGOC has written sternly worded letters to the government requesting that they uphold Angolan law (see Ovadia 2016, 169) but has opted against greater levels of direct confrontation. Noting that there are strong labour laws in Angola and that union rights are enshrined in the constitution, a representative of SAECGOC admitted, 'the unions have a lot of difficulty in practice.' As for strikes, he said 'Strikes are not in our interest. We just want our rights as workers.'[9]

The Catholic Church is the dominant religious organization in Angola and was, as mentioned, one of the few national institutions to occupy an independent space in the sphere of civil society during the civil war. In 2004, the Catholic Church's Episcopal Conference of Angola and São Tomé and Príncipe (CEAST) issued a pastoral letter calling for the monitoring of revenues from the oil and diamond industries. A second pastoral letter in 2006 called on the government to 'actively participate' in the Extractive Industries Transparency Initiative (EITI) (Mouan 2015,

266–269 citing Comerford 2009). Catholic organizations have also been involved in the push for greater budget transparency, while other churches that are gaining in prominence in Angola have, according to Mouan, been less engaged on issues of social justice and petroleum management. It may be that religious organizations without the stature of the Catholic Church are reluctant to pronounce on policy as some are struggling for their very existence. In April 2015, a massacre was carried out against a millennial offshoot of the Seventh-Day Adventist Church in Huambo province. Officially, 22 people were killed including 9 police officers and 13 civilians. However, other reports have claimed that up to 1000 people, including women and children, were massacred (*Angola Monitor* 2015). Meanwhile, there have been ongoing concerns in recent years that the government of Angola had banned Islam and was closing mosques (Marques 2014). As an article in *The Guardian* explains: 'under Angolan law, a religious group needs more than 100,000 members and to be present in 12 of the 18 provinces to gain legal status, giving them the right to construct schools and places of worship. There are only an estimated 90,000 Muslims among Angola's population of about 18 million' (Cabeche and Smith 2013). Whether or not it is accurate to say that Islam has been banned in Angola, it seems clear that, outside the space the Catholic Church has carved for itself, even religious organizations face limited access to the civil society sphere.

Individual Citizens and Small Groups

Under normal circumstances, individual citizens and small groups have far less power and influence on the terrain of civil society than other actors. However, given the power of the MPLA and their attack on all forms of independent civil society organization, there has been an increase in demonstrations and other forms of dissent despite major crackdowns. Such events are regularly met with overwhelming force, but their growing number has led Vidal to suggest a movement of ultra-confrontationists. In this section, I diverge from Vidal's categorization and refer to them as 'individual citizens and small groups' rather than as a 'movement', for reasons that Vidal acknowledges in calling them 'a

relatively small sub-segment of the urban/suburban population … influenced by external ideas and movements [that] has been unable to link to the majority of the population and thereby spark a broad movement for intended regime transformation' (2015, 78). He goes on to describe them as 'a relatively small number of dispersed young individuals or small groups of individual activists very active in web-based social networks with echoes in the Angolan diaspora, usually disguised under code names, which creates the illusion that they are bigger in number than they actually are' (2015, 88).

The protests Vidal describes began in the wake of the Arab Spring of 2011, when the president's long reign and the lack of benefits from the country's oil wealth became rallying points. The first demonstration in March 2011 was the chief topic of conversation for weeks after the demonstration was announced on the internet and through social media. However, a two-week campaign of intimidation by the MPLA served to dampen the movement:

> On March 6, the streets were filled – but they were filled with a massive showing of riot police and soldiers. Seventeen rap artists were arrested earlier in the day for encouraging people to come to the rally. In the end, only 13 people turned up for the rally in Luanda and they were all promptly arrested. (Ovadia 2016, 191)

In 2014, Amnesty International noted that there had been over 30 peaceful anti-government demonstrations in Angola. However:

> [T]he actions of the Angolan authorities against demonstrators in the country since March 2011 amounts to an effective ban on all anti-government demonstrations in the country … the authorities have responded to anti-government demonstrations in a way that violates the rights of freedom of association, assembly and expression, as well as the right to participate in the conduct of State affairs. (Amnesty International 2014, 28)

Since that report, there have been several other incidents. In March 2015, three human rights activists—Manuel Bionga, Jose Marcos Mavungo and Arao Bula Tempe—were arrested in Cabinda for allegedly trying to organize a peaceful demonstration. In September 2015,

Mavungo was given a six-year jail sentence for a protest that never took place. Additionally, 15 people were arrested in June 2015 and put under house arrest for attending a peaceful meeting and political discussion group. A few days later, Lázaro Muhondo Zumba, a member of the Angolan Armed Forces, was also arrested for allegedly knowing one of the men who was arrested. In July 2015, the mothers of those detained and other relatives of the activists held a demonstration demanding their release; this demonstration was 'violently suppressed, with beatings and arrests' by armed police who 'used batons, dogs and beatings against the mothers' (Amnesty International 2015). The message the government was probably trying to convey was that any public act of dissent would be met with a violent response. However, in a situation where there are no avenues for participation or dialogue, protests from individuals and small groups will probably continue to occur.

Conclusion

Issues such as distribution and sharing of revenues, substantive transparency, local content provisions, industrial policy, monetary policy, oil-backed financing, economic development, oil pollution, loss of livelihoods due to resource extraction and many others require public debate and input from civil society actors to be managed effectively. Unfortunately, the space for such participation does not exist in Angola, because of the highly authoritarian nature and 'top–down approach' of the MPLA (Ovadia and Croese 2017). While a privileged few benefit from the country's petroleum resources, to date, there has been little benefit to the vast majority of the population. Civil society organizations can be expected to continue to pursue strategies of reform; but more organizations as well as individuals and small groups are likely to take more confrontational approaches in the face of state repression.

Despite the climate of fear, NGOs, the media, political parties, labour unions and individuals and small groups all have valuable contributions to make regarding petroleum management and are directly impacted by the decisions of the government and of Sonangol. Host communities in Cabinda—particularly communities that rely on fisheries—continue to

be among those most severely affected by petroleum operations (see Reed 2009). However, Angolan academics, private entrepreneurs without access to the state protection, and various civil society actors are negatively affected by the dearth of opportunities to contribute to debate and influence policy (see Ovadia 2012, 412). A system built on violence and exclusion cannot be successful in the management of petroleum resources. Therefore, given the prominence of oil in the country's political economy, the struggle is likely to continue on the terrain of civil society until independent actors can achieve a voice in Angolan affairs.

Notes

1. In English, 'Action for Rural Development and Environment'.
2. Interview, August 2010.
3. Interview, June 2010.
4. Interview, June 2010.
5. Interview, August 2010.
6. Presidential Decree 74/15 of 23 March 2015.
7. Interview with journalist from *Novo Jornal*, July 2010.
8. Interview, July 2010.
9. Interview, August 2010.

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4

Azerbaijan: Civil Society and the Petroleum Sector

Kenan Aslanli

Introduction

In Azerbaijan, the potential of civil society to influence petroleum policy is hampered by government restrictions and the weakness of civil society itself. An active civil society is a crucial factor in tackling rent-seeking attitudes and mismanagement of revenues and expenditure (Kalyuzhnova and Kaser 2005, 8). Ideally, civil society actors in Azerbaijan should mobilize society to resolve critical public challenges and to share alternative information on government policy. Civil society initiatives could identify whether the oil revenues said to have been distributed to citizens have in fact reached them. Given the clear link between public finance transparency and corruption in countries rich in hydrocarbons and minerals (see Fig. 4.1), including Azerbaijan, a strong civil society can also serve as an anti-corruption tool.

However, organizational shortcomings and government-imposed constraints have rendered civil society incapable of dealing with issues related to natural resource management in Azerbaijan. Individual members of the public are mostly excluded from policy-formulation, decision-making

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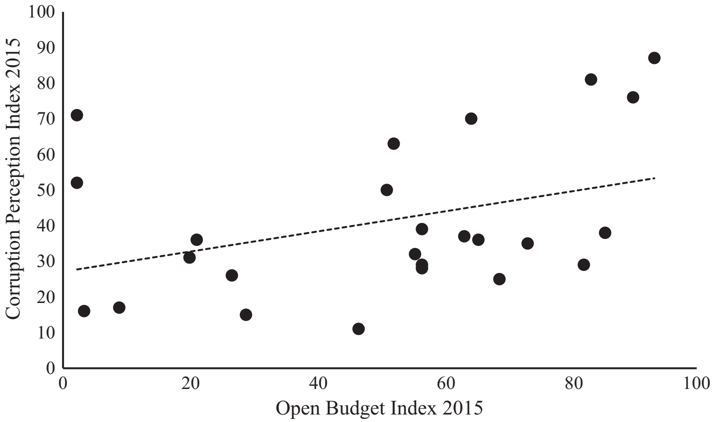

Fig. 4.1 Correlation between public finance transparency and corruption in different countries. Sources: International Budget Partnership 2015a; Transparency International 2012; author's calculations

and opinion-shaping processes (Bhatta 2006, 91). Crucial decisions about the petroleum sector are made exclusively by officials and representatives of the government. Despite civil initiatives aimed at promoting transparency and participation in the petroleum sector, there has been a growing monitoring and participation deficit in that sector. The role of civil society in Azerbaijan's petroleum sector has received research attention, but most studies have concentrated on individual segments of civil society or are highly theoretical (e.g. Shirinov 2015; Böttger and Falkenhain 2011; Ergun 2010). This chapter investigates the role of all the main non-state actors with interests in petroleum-sector governance, considering their contributions to public debate and the impact of that debate on policy-making and implementation.

Civil Society Actors: Role in Petroleum Sector and Revenue Management

The main symptoms of the 'resource curse' phenomenon can be found in Azerbaijan—including the stagnation of economic growth, deepening social stratification and autocratic governance that hampers inclusive

institutional development. A main challenge facing resource-rich and resource-dependent Azerbaijan is the finite character of natural resources in the long run and the lack of effective civil society oversight of the oil and gas sector and the management of resource revenues.

Petroleum revenues dominate Azerbaijan's national economy. Estimated total oil and gas revenues (oil profits and company tax payments) are forecast at around USD 198 billion in net present value by 2024. The country now faces declining crude oil production, but natural gas production is rising (see Fig. 4.2). Despite a high average economic growth trend (Fig. 4.3), Azerbaijan failed to diversify its economy between 2000 and early 2010s, when the country experienced huge revenue flows into the national economy (Aslanli et al. 2012). In 2015, the oil sector generated 31% of GDP (compared with 52% in 2011); oil revenues accounted for 63% of the state budget and amounted to 86% of total exports (Ahmadov 2016, 2).

Azerbaijan's oil and gas revenues have been used to build a bigger government, which has squeezed out the political parties, trade unions, independent media, civil society organizations and other non-state actors. The government has also displaced real non-state actors by establishing quasi-institutions like state councils to support the mass media, NGOs, trade unions and alternative political parties that are loyal to the

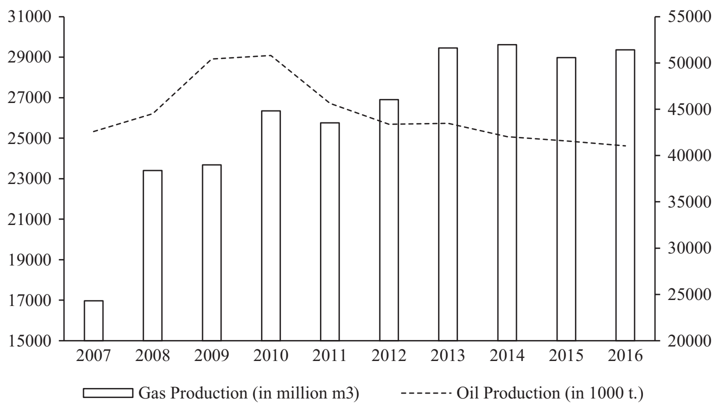

Fig. 4.2 Oil and gas production in Azerbaijan. Source: author's calculations, State Statistics Committee 2016

government. This has led to a profound power imbalance between state and non-state actors. Table 4.1 shows Azerbaijan's performance on various indices measuring the quality of state institutions, personal freedoms and human development.

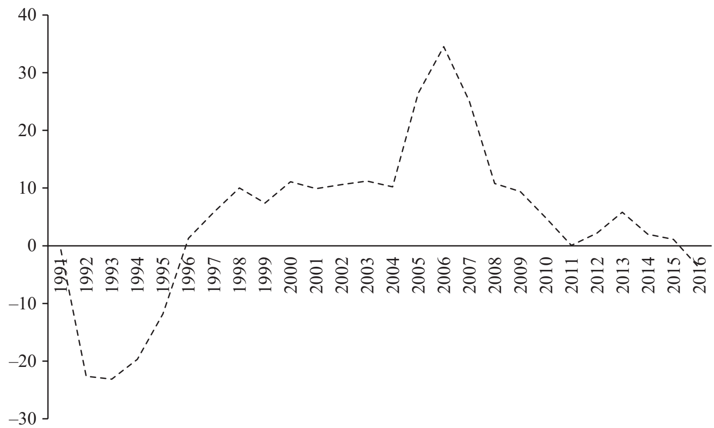

Fig. 4.3 GDP growth in Azerbaijan, % per year. Source: author's calculations, State Statistics Committee 2016

Table 4.1 Country performance of Azerbaijan, various indices

Indices	Rank	Score
Corruption Perceptions Index (2014)	126/175	29/100
Resource Governance Index (2013)	28/58	48/100
Open Budget Index (2015)	42/102	51/100
Civil Society Index, Impact (2003–2006)		0.8/3
Global Competitiveness Index (2012–2013)	46/142	4.41/7
Human Development Index (2012)	0.734	82
Press Freedom Index (2012)	162/179	87.25
Judicial Independence (2011–2012)	83/142	3.4/7
The Bertelsmann (status) Transformation Index (BTI)	88/129	4.71/10

Sources: Transparency International 2015; Bertelsmann Foundation 2015; Natural Resource Governance Institute 2013; International Budget Partnership 2015a; CIVICUS Civil Society Index 2006; UNDP 2012; Reporters Without Borders 2012; World Economic Forum 2013

Public Oversight

Azerbaijan lacks institutions and non-state actors with public watchdog functions, including civil society, independent media and political parties. Public-sector oversight institutions that are independent from the executive, such as the Parliament, the ombudsman and Chamber of Accounts (an analysis and auditing body that oversees the state budget) are in practice powerless and do not exercise their oversight functions adequately (Aslanli 2015, 119; Transparency International 2014). The system of managing oil and gas revenues through budget mechanisms and fiscal policy processes is not entirely accountable, and the lack of effective external audit is often discussed in civil society circles (Aslanli 2014; Nerimanoglu 2015). However, the government does not accept public criticism of its petroleum-sector management. Money and power are concentrated among a small elite who have little to gain from being more transparent about the national budget and decision-making processes. Civil society is generally disengaged from the policy-making process; the political environment in the decade to 2017 has grown less favourable to pro-democracy groups, particularly NGOs.

Between 2010 and 2012, Azerbaijan's score in the Open Budget Index (OBI) dropped slightly from 43 to 42 out of 100, but rose again to 51 in 2015. This index, developed by the International Budget Partnership (IBP), assesses the public availability of eight key budget documents: pre-budget statement, executive branch budget proposal, implemented budget, citizens' budget, in-year reports, mid-year review, year-end report, audit report (IBP 2015b). Despite indicating slightly increased levels of fiscal openness, the OBI results showed that the government of Azerbaijan still does not provide comprehensive budget information. Moreover, budget oversight by parliament and the supreme audit institution is limited, and public participation in the whole budget cycle is almost non-existent.

NGOs: Some Success Stories

The National Budget Group (NBG) of Azerbaijan was established in 2006 by a coalition of nine NGOs to promote budget transparency and budget analysis. It is a purely domestic initiative but was inspired by

international budget transparency movements (especially the International Budget Group). As part of its strategy to increase the transparency of the national budget, and to enhance the impact of the NBG and civil society more broadly on the budget process, NBG representatives have participated in capacity-building events and organized such events for local NGOs, media, policy-makers and universities. The mission of the NBG is to achieve transparent and efficient management of public finance and petroleum revenues. The Group has carried out a review of the impact of oil revenue on Azerbaijan's economy and has assisted civil society organizations in conducting professional monitoring of public investment projects. NBG members have also prepared alternative models for petroleum revenue management and identified new priorities for economic diversification. Unfortunately, in recent years, NGOs like the NBG have been increasingly crowded out of the government's decision-making processes.

One success story of the NBG was to press for publication of the Citizens' Budget, which was not issued by the government until 2014. The Citizens' Budget is a non-technical explanation of the state budget with information about its main points. For several years, the Citizens' Budget was issued by the NBG and not by the government. The NBG presented a draft Citizens' Budget, which has been hotly debated between government and the NBG in recent years. Finally, the Ministry of Finance started to investigate why Azerbaijan had been lagging behind in OBI scores and decided to publish the Citizens' Budget, using the NBG draft and recommendations. This is a direct result of long-term advocacy and can be considered a great success for the NBG in Azerbaijan.

The NGO Coalition for Transparency in Extractive Industries of Azerbaijan is another influential civil society group. They operate as a part of the Multi-Stakeholder Group (MSG) established under the government of Azerbaijan's commitments as a signatory of the Extractive Industries Transparency Initiative (EITI). For several years, the MSG has been a relatively efficient dialogue platform for government, civil society and extractive companies. The MSG has now become the main mechanism of cooperation among extractive industry stakeholders. It is made up of equal numbers of representatives from NGOs, extractive industry companies and the government (Extractive Industries Transparency

Initiative Azerbaijan 2015). In 2009, Azerbaijan became the first country to achieve EITI validation and become an EITI compliant country. However, in April 2015, Azerbaijan was downgraded to a candidate country by the EITI Board, after being validated against the revised 2013 EITI Standard.

The EITI Coalition drafted the law 'On the Oil Fund' (2011) to offer a sound legal framework for the management of oil and gas revenue. Prior to this, there was no law regulating the State Oil Fund of Azerbaijan Republic (SOFAZ) which was established in 1999 as a sovereign wealth fund and currently manages USD 35 billion. Civil society has also recommended that the government limit transfers from SOFAZ to the state budget, as the absence of any ceiling on such transfers has allowed them to rise unfettered, in turn undermining fiscal policy (Aslanli 2016). Members of the Supervisory Board of SOFAZ are appointed by the President of Azerbaijan; they represent only state bodies, and there is no representation from civil society.

The role of civil society groups in petroleum governance and revenue management diminished dramatically between November 2013 and February 2014 following the social tension and regime change in Ukraine. The government of Azerbaijan assumed that foreign donors were assisting local civil society organizations to organize massive protests and social movements to overthrow the regime in Azerbaijan. A civil society crackdown followed. The downgrading of Azerbaijan's EITI status in 2015 reflects the EITI Board's concern about the opportunities for local civil society to engage adequately in the EITI process in Azerbaijan in the future (Extractive Industries Transparency Initiative NGO Coalition in Azerbaijan 2015).

The Free Media: Status

The negative turning point for the independent media in Azerbaijan was the murder of the editor-in-chief of *Monitor* magazine, Elmar Huseynov on 2 March 2005. Between 2006 and 2009, almost 100 journalists were subject to psychological intimidation, beatings and arrests (including the case of the 'Donkey Bloggers', see Barry 2009). The situation has worsened

dramatically since 2010, and political measures to silence the independent media have intensified. This includes blackmailing—as in the case of Khadija Ismayil, the Radio Liberty correspondent journalist who was investigating illegal business ties of ruling elites and misuse of oil revenue and raids, notably the raid on the Institute for Reporters' Freedom and Safety, a media watchdog (Committee to Protect Journalists 2014).

Measures have also been taken against the international media. The government banned some representatives of the foreign media from attending the inaugural European Games in Azerbaijan in June 2015 (Guardian 2015). While some independent and opposition newspapers were facing imminent closure (e.g. the newspaper *Azadliq*), the government started to finance pro-governmental loyal media institutions through the President's Mass Media Development Fund (Knezevic 2015). In 2014, police raided the Baku bureau of Radio Liberty, closing its office and forcing journalists to stop working. They had been investigating corruption cases in petroleum revenue management, regional allocation of public money from the central budget and other issues related to the public finance system (Radio Liberty 2016).

Almost all newspapers, TV stations and radio stations now have a pro-government position. The oppositional forces tend not to use newspapers, but make active use of the social media instead. The independent media have been marginalized in the polarized political climate.

Academia and Think-Tanks

Think-tanks are relatively new in Azerbaijan. Academia (especially the National Academy of Sciences) has carried on the academic and methodological heritage of Soviet research. The various institutions of the National Academy of Sciences and governmental research institutions are not policy-oriented, nor do they influence official policy-making or decision-making. The Institute of Economy of the National Academy of Sciences was established in 1935 and covers the petroleum sector, but suffers from lack of adequate quantitative and qualitative research expertise (Institute of Economy 2015).

The Centre for Strategic Studies of Azerbaijan (SAM) is a government think-tank created in 2007 (Strategic Research Centre 2015). The actual purpose of SAM is to support official policies through its research agenda and to build influential foreign relations advantageous to the government. Its Economic Analysis and Global Affairs Department publishes reports, articles, papers and books on aspects of the resource-dependent national economy. Although the centre is a platform for policy debates with international and regional actors, it is not an open debating space for domestic policy-making actors and has only moderate influence on formal decision-making relating to petroleum-sector governance and revenue management.

The Centre for Economic and Social Development (CESD) is a prominent independent economic think-tank promoting research and policy analysis on economic issues, including oil revenue management and optimal modes of policy oversight. CESD has a high standing among national, regional and international policy-makers as an independent and unbiased institution. When oil prices started to fall at the end of 2014, CESD promptly prepared and published a paper titled 'Assessment and modelling of effects of oil price decline on Azerbaijan economy' in which the research team calculated 'how every $1 per barrel drop in the price of "Azeri Light" … results in annual revenue loss, including losses of GDP, normal export levels and national budget' (CESD 2014, 2). However, there is no clear evidence that the government takes on board CESD's findings and recommendations.

Other private research and advocacy centres covering petroleum revenue management and transparency include the 'Support for Economic Initiatives' Public Union, the Public Association for Assistance to a Free Economy, the Economic Research Centre and the Public Finance Monitoring Centre. These organizations publish papers, reports and articles on oil and gas production, revenue management, economic diversification and export diversification, state-owned energy companies, the sovereign wealth fund, taxation and spending policies and good governance (including participation, transparency and accountability).

Political Parties and the Political Regime

The separation of powers is a mere formality in the Azeri political system, where the strong centralized executive power (influenced more by the Presidential Administration than by the Cabinet of Ministers) controls both the parliament and the judiciary. The parliament has 'exercised little legislative initiative independently of the executive branch' and the courts rarely make independent decisions. There are 70 political parties, of which 54 are officially registered and 12 are represented in the parliament following the elections of 7 November 2010 (Allahyarova and Mammadov 2010, 108–109). The ruling New Azerbaijan Party (*Yeni Azərbaycan Partiyası* or YAP), led by President Ilham Aliyev, dominates the political system. The main opposition parties are the Azerbaijan Popular Front Party (AXCP), Musavat (meaning 'equality') and the Azerbaijan Democratic Party (Strategic Research Centre 2011). The Republican Alternative (Re-Al) Political Movement is relatively new in the political landscape (since 2009); it organizes public debates on petroleum-related topics and has attempted to transform itself into a political party (Medzjid 2014). However, that was interrupted by the arrest of the party's leader, Ilgar Mammadov, in 2013. Re-Al has proposed structural reforms, the establishment of a new parliamentary system and a new economic model with more efficient use of oil revenues (Cumhuriyyet 2016).

The 2010 parliamentary elections were conducted under a majoritarian system. Out of a total of 125 single-mandate constituencies, the ruling YAP won 71 seats and independents won 41 seats for a 5-year term. Twelve pro-government or very loyal political parties won seats, but none of the of the real opposition parties (Musavat or AXCP) were able to enter parliament (Lecarte 2015). The results of the 2015 parliamentary elections were similar, with 57.7% voter turnout (Central Election Commission's Information Centre 2015). Observers have held that the authorities violated the election procedures using administrative means and by pressuring civil society activists who were monitoring the elections. Previous elections had failed to meet crucial democratic standards.

Lecarte (2015) points out that the opposition is deeply fragmented and has lost influence on public policies because of government oppression. Many opposition politicians believe that Azerbaijan's significant

energy resources and regional energy projects have led to a problem of 'oil and democracy' in the country (Allahyarova and Mammadov 2010, 108–109). Haslani (2013) argues that petroleum revenues have made the regime more authoritarian.

Moreover, some political activists believe that the weakness of the opposition is related to external factors, such as the good relations between elites and foreign companies, and the loyalty of EU officials to the government because of the country's energy resources. Cases of corruption in the petroleum sector and misuse of revenues are at the top of the agenda of the main opposition parties, especially at election time. The ruling party YAP has no serious ideological stance, apart from its strong anti-Western propaganda and attempts to legitimize all official decisions in the energy sector relating to the extraction and sale of oil and gas. President Ilham Aliyev was first elected in 2003 and re-elected in 2008 and 2013, by vast majorities. The ruling elite's inner circle directly control the economy and its main sectors, especially the energy sector.

The Role of Energy Companies and Foreign Investors

Azerbaijan has considerable oil and natural gas reserves. It signed major production-sharing agreements in September 1994 (for exploration of the Azeri-Chirag-Gunashli oil field) and June 1996 (for the Shah Deniz gas field). International oil companies involved in these agreements include BP, ChevronTexaco, ExxonMobil, Statoil, Total and Turkish Petroleum Company. BP has played a decisive role as a single operator for almost all oil and gas exploration (both Azeri-Chirag-Gunashli and Shah Deniz) as well as transportation projects (the Baku-Tbilisi-Ceyhan oil pipeline and the South Caucasus natural gas pipeline). BP had capital expenditure of USD 51 billion in its projects in Azerbaijan between 1995 and 2014 (BP 2015a) and is the most influential foreign energy company operating in Azerbaijan.

BP has implemented many social responsibility projects in collaboration with local civil society organizations and education institutions, geared mostly towards capacity-building of local actors (BP 2015b). BP

and Statoil have actively participated in the EITI Multi-Stakeholder Group meetings to promote transparent reporting standards in revenue management. These two companies have strongly promoted their own agenda, especially during contract negotiations.

The major domestic oil and gas company is the State Oil Company of the Azerbaijan Republic (SOCAR), which is engaged in almost all aspects of the energy sector including exploration, production, processing, transportation, marketing and sales of crude oil and natural gas. The company has dozens of subsidiary companies, joint ventures and alliances functioning in the energy sector as well as in some non-energy sectors, like insurance and the media. SOCAR has become a heavyweight actor with policy influence in the energy sector and even domestic politics, but is relatively non-transparent, despite improvements in reporting procedures.

About half of the government's budget is channelled through SOCAR. In 2013, the international watchdog Global Witness published a report titled *Azerbaijan Anonymous,* revealing the less transparent activities of SOCAR. According to this report, 50 different joint ventures, alliances and partnerships belong to one man, whose annual profits total USD 375 million (GWR 2013, 5). The report further noted that lack of transparency poses a serious credibility problem for Azerbaijan's status within EITI.

The Role of Trade Unions, Universities, Religious Organizations and Individual Citizens

Trade unions are not powerful social actors in Azerbaijan. The Azerbaijan Trade Unions Confederation (ATUC) is a pro-government umbrella organization of 26 sectoral trade unions (18,610 trade union organizations with a total of 1.6 million members) (Azerbaijan Trade Unions Confederation 2015). Although the 1994 Law on Trade Unions prohibits any political activities for trade unions and any affiliation with political parties, the ATUC has ties with the ruling party YAP. Local civil society organizations, especially the Organization for the Protection of Oil Workers' Rights, promote the labour rights of oil workers and good governance (Natural Resource Governance Institute 2015).

The Caucasian Muslim Community is a government-backed religious organization which is used as a tool for legitimizing the decisions of the ruling regime. However, some individual religious leaders have highlighted bad governance and misuse of oil revenues. Moreoever, lists compiled by EU institutions and other human rights organizations show that almost half of political prisoners are religious activists (EU Eastern Partnership 2014). Some of these activists have accused the ruling elite of corruption and embezzlement of public funds; they have also posted highly critical comments and speeches in the social media and other online platforms. Other political prisoners in Azerbaijan are journalists and bloggers, human rights defenders, youth activists and politicians. Bloggers, leaders of social networks and individual activists from the capital and the regions actively disseminate critical information on oil revenue mismanagement through social media.

Universities have very limited influence on decision-making and policy-making in the petroleum sector. I will therefore not discuss them further here.

Barriers to Non-state Actor Influence on Petroleum-Sector Management

The environment for civil society in Azerbaijan has deteriorated, making regular civil society activity almost impossible. Previously the environment was relatively favourable, with little serious technical or political interference. The situation had begun to worsen already in 2006–2007, but the turning point came with the adoption of amendments to legislative acts and laws regulating NGOs in 2014. Amendments made it more difficult for local and international NGOs to conduct their regular activities, including registration, raising funding from donors and completing banking operations. These changes were accompanied by tight control measures, raids and even arrests (especially of those critical to the government). Some international organizations have characterized this as a civil society crackdown (e.g. HRW 2013; Human Rights House Foundation 2015). This crackdown has also targeted civil society groups that work to promote transparency and accountability in the petroleum sector (e.g. National Budget Group and the EITI Coalition).

Due to oppression by the authorities, civil society activists have opted for self-censorship, withdrawal from civil society activism altogether or leaving the country permanently (Letter of Concern to OGP Steering Committee 2015). Some tax control measures and even serious criminal cases have been carried out against civil society leaders and NGOs. There are no permanent and effective platforms for dialogue and consultation between government and civil society, even though these are a requirement of the open government action plan (2012–2015) and the law on public participation. A report by the Open Government Partnership Independent Reporting Mechanism (OGP IRM) revealed that civil society organizations face difficulties when operating in Baku but even more so when operating in the regions. To organize any events in the regions, civil society organizations must apply to the government and receive official permission (there is no law or legal procedure regulating this mechanism). The EITI Coalition, for instance, has been unable to carry out activities outside the capital because of the additional permission required.

Various legal and financial barriers to civil society organizations in Azerbaijan violate the freedom of association. Individuals also encounter difficulties in receiving funding from abroad, and some arrested civil society leaders have been given lengthy prison sentences (typically of six years). The Ministry of Justice has firm control over NGOs through the registration of organizations and grant projects, including sub-grants and amendments to grants. The Ministry of Justice monitors compliance with the law, and the Ministry of Finance requires additional financial reports from NGOs. Many NGOs have been unable to register.

There are more than 2700 NGOs registered in Azerbaijan, with an estimated 1000 unregistered groups currently active in the country (International Center for Not-for-Profit Law 2015). Amendments enacted in February and November 2014 increased the penalties for local and international NGOs. Heavy fines and the requirement that local offices be registered further spurred international NGOs to leave the country. Hundreds of civil society organizations remain unregistered because of the barriers created by the government (Aslanli 2013, 98).

The collapse of oil prices in the last quarter of 2014 fundamentally altered economic conditions in Azerbaijan, with the devaluation of the national currency and a surge in food prices, as well as heightened social

tensions and protests over inflation and the credit burden. The government started to introduce governance reforms, including merging some government agencies (e.g. the Centre for Analysis of Economic Reforms and Communication and the Financial Markets Supervision Chamber), and gathered anti-crisis recommendations from civil society organizations through the Council of State Support to Non-Governmental Organizations (Azay Guliyev 2016). This may indicate that the government sees some role for civil society in extricating the country from the crisis and contributing to stabilization (Ahmadov et al. 2010, 5).

Conclusions

Considerable oil and gas revenues flow into Azerbaijan's economy, but the lack of civilian oversight over the petroleum sector and revenue management can exacerbate the economic and governance challenges. Where there are large amounts of easy oil money, considerable personal and institutional efforts go into trying to get a bigger share of it, so effective management of public finance requires effective civilian oversight. But Azerbaijan's civil society has scant influence on government decision-making, particularly as regards public spending, oil and gas revenues and the petroleum sector. Hampered by lack of funding, some genuine NGOs are not able to address issues such as misuse of oil money. Political parties, academia and other key components of civil society are almost silent in Azerbaijan, for reasons both internal (institutional capacity) and external (repression by government).

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5

Canada: The Debate About Oil and Gas Management

Shantel Jordison

Introduction

Public debate, defined as the free and open exchange of ideas, is a cornerstone of Canadian democracy and plays an important role in the country's public policy cycle. Open expression without fear of government retaliation or censorship is not merely protected by law: it is also a celebrated aspect of Canadian culture and society. Debate serves as a platform for diverse groups to advance their interests, share ideas and, more often than not, find areas of common ground through mutual understanding. Historically, some of Canada's biggest public debates have been over healthcare, education and the economy; since the 1990s, natural resource development and the environment have become increasingly important topics as well. This chapter explores the various roles and influences of the main actors in debates on oil and gas management in Canada. Drawing primarily on examples and anecdotal evidence from academic

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and other literature, the roles of key groups in Canadian society and their influence in the oil and gas debate are explored.

Civil Society

Over the years, civil society groups have played an important role in nation-building, the development of the welfare state and democratic enrichment in Canada. Important types of civil society organizations in Canada include community-based organizations, environmental groups, women's rights groups, farmers' associations, faith-based organizations, philanthropic organizations, human rights groups, trade unions, cooperatives, independent research institutes, universities, diaspora groups and the non-profit media. Kendall and Knapp's description of civil society/voluntary sector as a 'loose and baggy monster' is particularly insightful in the Canadian context (Kendall and Knapp 1995, 65).

In the field of Canadian studies, the Salamon definition is often used to describe civil society as 'a separate sector within society, distinct from the state and the market' (cited in Acheson and Hodgett 2012, 52). This stands in contrast to the various definitions used by other scholars elsewhere. For instance, in some contexts, profit-driven organizations are considered to be part of civil society, which is what Young (2000, 157) calls the classical modern usage of the term. In Canada, however, groups like these are almost always excluded (Acheson and Hodgett 2012). While most of this chapter focuses on civil society, profit-driven and other groups will also be discussed in regard to their influence on the oil and gas debate in Canada.

The Oil and Gas Debate

Two overarching questions lie at the heart of the oil and gas debate in Canada. The first (more traditional) question relates to *how* the nation's oil and gas resources should be developed. The second question, now gaining traction, relates to *whether, and at what pace*, development should occur. An examination of the roles of various civil society groups in Canada over time reveals that discussion has traditionally centred on the

first question. Now, with the rise of climate change as a major international concern, more and more groups have shifted the terms of the debate towards the second question. Obviously, if areas of common ground do not exist on the question of *whether* oil and gas resources should be developed, then discussing *how* they should be developed becomes rather difficult. This dilemma has given rise to a growing school of thought that questions whether the oil and gas debate in Canada has stalled in terms of its ability to establish common ground. Common ground is important because it often serves as an avenue for policymakers to make decisions that reflect the will of Canadian citizens at large.

As both debates rage on simultaneously, various civil society groups have sought to exert their influence on each of these debates using different tactics and strategies—with varying degrees of success. While measuring the influence of any actor or group in a public debate can be difficult, it is especially hard in a country like Canada, where there is plenty of space for civil society groups to compete for influence over the state and society. Influence is intangible and unpredictable, and may take a range of forms, which makes it difficult to measure objectively over time. Many non-profit groups measure their own influence according to parameters set out in publications like the Organizational Research Service's *Guide to Measuring Advocacy and Policy,* which offers a menu of outcomes for advocacy and policy work (Reisman et al. 2007). These include shifts in social norms, strengthened organizational capacity, strengthened alliances, strengthened support base, improved policies and changes in impact.

In a policymaking perspective, this task can be made easier by examining anecdotal evidence from decision-making processes. Decision-making platforms serve as excellent laboratories for measuring the influence of civil society groups. Several such platforms exist, with a direct or indirect influence on oil and gas management in Canada, and will be discussed in the analysis below.

The Canadian Context

Before discussing the influence of civil society groups on the debate about oil and gas management in Canada, a brief explanation of the institutional context is warranted. Canada is a vast and geographically diverse

federation made up of ten provinces and three territories, with each jurisdiction governing its own natural resources.[1] Thus, each petroleum-endowed province or territory makes its own rules, regulations and decisions about how to develop oil and gas within its borders. Across most of Canada, the Crown (i.e. the federal government) distinguishes between surface and subsurface rights, leasing the exclusive rights to search for and extract minerals to developers. Here it should be noted that First Nations communities have unique and distinct land claims compared to other property owners in Canada.

Just as each province sets its own policies for the management of oil and gas within its borders, so too does each province designate regulatory authority for oil and gas stewardship. In many ways, these regulators form part of the state, where various civil society actors can seek to their influence. For interprovincial and international energy infrastructure, like oil and gas pipelines, the National Energy Board, Canada's federal regulator, has jurisdiction. For development inside provincial or territorial borders, various regulatory bodies have jurisdiction (like the Alberta Energy Regulator or the British Columbia Oil and Gas Commission). At both levels, regulators are often highly technical, independent (or semi-independent) government agencies and in some cases have quasi-judicial powers. They can have many of the rights and privileges of a court, in that they make decisions that are enforceable by law. Generally speaking, they are meant to act as responsible stewards over natural resources, to promote safety and environmental protection and to ensure efficient resource development that is in the public interest.

The oil and gas sector accounts for a significant share of business activity and of revenues paid to governments. Unlike most oil- and gas-exporting countries, Canada does not have its own government-owned exploration and production company, so these activities are undertaken by industry as private ventures. According to the federal government department Natural Resources Canada, in 2014 Canada had the third largest proven crude oil reserves in the world, the fifth largest oil production and the fourth largest oil exports (of which 92% went to the USA). Of its crude oil reserves, 98% are oil sands, a highly viscous form of crude oil found in the Western Canadian Basin, primarily in the province of Alberta (Natural Resources Canada 2015).

As the energy capital of the country, Alberta is at the centre of the Canadian oil and gas debate. It has the largest oil reserves, the highest production and a long history of oil development—dating back to 1902, when Western Canada's first oil well was drilled at Cameron Creek.[2] Current figures from Alberta's Energy Ministry put the province's crude oil production at 2.5 million barrels per day (bpd), of which approximately 78% is raw bitumen from the oil sands. Conventional natural gas reserves stand at 33 trillion cubic feet (tcf) with 2.4 tcf being coalbed methane, and current production totalling approximately 4 tcf per year. Ranking next are the neighbouring provinces of Saskatchewan and British Columbia: British Columbia is the country's second largest producer of natural gas, and Saskatchewan is the second largest producer of oil (Government of Alberta 2016).

While in some ways oil and gas extraction may look similar across Canadian jurisdictions, there are important variations in policies and regulations, particularly with respect to fiscal frameworks. For instance, Alberta has complex auction and royalty frameworks, and is the only province that chooses not to levy its own consumption (sales) tax. Instead, it depends heavily on the royalties it receives as from the oil and gas sector to fund most of its spending on costly public services like education and healthcare. Royalties are payments that the government receives, as the energy-resource owner, for the right to develop that resource. The absence of a consumption tax in Alberta has been heavily criticized by economists such as Canadian tax expert Jack Mintz, in part because it serves to perpetuate the 'boom/bust' economic cycle in Alberta. The unique nature of resource management in individual provinces makes it nearly impossible to discuss the 'Canadian' oil and gas experience, let alone the 'Canadian' oil and gas debate, without specifying a particular province or territory. So as to avoid making potentially misleading overgeneralizations, most of the examples used in this chapter will focus on Alberta.

This is especially true with respect to environmental policy and interprovincial energy infrastructure policy, where federal and provincial powers overlap. In fact, Canada has not had a federal energy strategy in place since the collapse of the unsuccessful and short-lived 1980 National Energy Program, whereby the federal government sought to gain greater control over the petroleum sector and redistribute Alberta's

oil wealth to the rest of the country. A resource-nationalist policy of the then Prime Minister, Liberal Pierre Elliot Trudeau, the programme proved so unpopular in Alberta that it became one of the main reasons for appearance of the country's first Western separatist movement. The debate that followed this controversial policy involved a range of civil society actors and laid the ground for the establishment of the Reform Party, a right-of-centre political association whose legacy lives on in today's Conservative Party of Canada. Simply put, oil and gas management in Canada is complex and decentralized, and there is no easy-reference handbook of 'Canadian' public policies that govern the sector from a national perspective.

These regional disparities influence the space that is open to contestation by civil society groups. Depending on where you are in Canada, the terms of the oil and gas debate can vary, and so too can the influence of different groups in society. In many ways, it is these nuances that distinguish the public debate about oil and gas management in Canada from other oil exporters, even amongst peers like Australia, Norway, the UK or the USA.

Companies

Profit-driven organizations, like oil and gas companies, play a critical role in the debate about oil and gas management in Canada. In the absence of a government-owned oil company, provincial governments need investment and technology from the oil and gas industry in order to develop their resources—making industry the provincial governments' chief partner in development. Former Prime Minister Stephen Harper aptly characterized this aspect of the Canadian system in an interview: 'the fundamental basis of our energy policy is essentially market driven' (Harper 2012). Without private companies, there would be no oil and gas development in Canada, and so naturally they are the most influential actors in the debate on how to manage oil and gas resources. Despite being partners, however, the government and private sectors have different goals and motivations. The role of the government as the owner of the resource is to act as a responsible steward and maximize economic benefit

for current and future generations—whereas the primary role of private businesses is to maximize their return on investment. Generally, this partnership serves each of the parties well; however, over the years, there have been very heated debates about how to slice the economic pie.

Royalty reviews offer excellent laboratories for observing the influence of industry over the debate on oil and gas management in Canada. Essentially, royalty reviews are processes initiated by provincial governments, involving independent panels of academics, industry representatives and others who assess whether the rates that the government is currently receiving for production are at optimal levels, in terms of maximizing the benefits of resource extraction to society. Naturally, when the result of a review indicates that the rates should go up, there will usually be pushback from the industry, since any changes will negatively impact its bottom line. According to oil historian David Finch (2008), the 'Great Royalty Debate' has been going on in Alberta for nearly 80 years, and in almost every case, private companies have been the most influential group in terms of shaping the terms of the debate.

A clear example of an industry exerting significant influence over the results of a royalty review can be found in the reviews undertaken by the then-Premier of Alberta, Ed Stelmach. The results of the 2007 panel found that Albertans were not receiving what was described as their 'fair share' of energy development. As a result, the provincial government put in place a new royalty framework with higher rates. At the time, the *National Post* quoted the Premier as stating: 'I know it is the right plan to secure Alberta's future. The new royalty framework gives future generations of Albertans a fair share from the development of their resources' (quoted in Henton and Markusoff 2007). However, following these changes there was a substantial backlash from the oil and gas industry and other actors. Detractors argued that the new framework made Alberta's oil and gas regime uncompetitive. Many civil society groups also weighed in on this debate, but none were as vocal and angry as industry. Hundreds of oil workers gathered outside the Alberta legislature to protest the new royalties, with the then-president of the Canadian Association of Petroleum Producers expressing his shock and dismay and predicting: 'Financial markets are going to respond negatively. You will see an impact. It's not going to be positive' (TruckNews.com 2007). Ultimately, the

Stelmach government decided to re-evaluate its decision, and in 2008 rolled back the royalty rates approximately to pre-2007 levels. Regardless of whether the policy change was justified, this example demonstrates the influence of oil and gas companies on the debate about oil and gas royalties.

The Media

Canada has strong and independent media that actively contribute to public debates on all manner of topics, including oil and gas management. They have a paramount role in civil society. Most of the journalistic content that drives media stories in Canada is generated by traditional newspapers, of which there are four major publishers: *Postmedia*, *Quebecor*, *Power Corp* and the *Globe and Mail*. Most oil and gas journalism is done in Canada's western provinces, where regular coverage is found in many daily newspapers. This coverage is supplemented by specialty publications like oil magazines and bulletins such as *Alberta Oil Magazine* and *Oilweek*.

In recent years, the web and social media have become increasingly important media players in Canada, whereas the reach of more traditional media enterprises like the *Canadian Broadcasting Corporation* or newspapers such as the *Globe and Mail* has diminished. According to the Canadian Internet Registration Authority, comScore data from 2014 indicate that Canadians have the highest levels of Internet use in the world, ranking first with respect to average monthly pages per visitor and second for average monthly hours per visitor. In 2014, almost 70% of the Canadian population had visited at least one social networking site, with Facebook being the most popular, followed by Twitter (CIRA Factbook 2014).

As to the role of the media in the oil and gas debate in Canada, they enable the participation of Canadian citizens by enriching the discourse with diverse viewpoints and widening the scope of information open to contestation. Their role is essentially threefold: they act as a barometer of public opinion, bridging the gap between civil society and decision-makers; they serve as a watchdog, holding decision-makers accountable

to the public; and they translate highly technical and complex information into narratives that are more accessible to the public. In addition, the media are used by civil society groups as a tool to advance their interests and exert influence over the state and the public sphere.

Canadian newspapers rarely advocate one outcome over another as part of an underlying agenda or set of motivations. This stands in sharp contrast to the case in some other countries, such as the UK, where papers like *The Guardian* have weighed in on the oil and gas debate with climate change advocacy like the 2015 'keep it in the ground' campaign which sought to urge the world's two largest charitable funds to move their money out of fossil fuels (The Guardian 2015). Indeed, it would be almost unheard of for a Canadian newspaper to develop a similar campaign. It is more common for Canadian newspapers to take on the role of explaining the terms of the oil and gas debate, in the form of primers and backgrounders, for example: 'What's fair? A primer on oil and gas royalties in Alberta' (Ewart 2016), or 'Alberta's Energy Royalties: An Election Explainer' (Johnson 2015).

Some would argue that there are indeed notable—albeit perhaps less overt—biases in the media reporting on oil and gas issues in Canada. For instance, in 2008, more than 1,600 migrating ducks died when they landed in a tailings pond, constituting one of the worst environmental disasters in Alberta's history.[3] One study that analysed 747 newspaper articles published between January 2008 and June 2011 found unequal media coverage of different voices throughout the course of the emergency (Nelson et al. 2015), and that the most prominent voices in this instance belonged to the management and spokespeople of oil and gas companies, followed by environmental non-governmental organizations and provincial government representatives.

The internet and social media have also become powerful outlets for civil society groups to assert their influence in the oil and gas debate. Individuals and environmental non-governmental organizations have arguably been the most effective groups in using these platforms, whereas industry, academia and political parties have struggled to keep pace. Oil and gas is commonly discussed in social media, and can be tracked using hashtags like #oilsands, #abenergy, #aboil and #naturalgas. Hashtags are powerful vehicles for connecting individuals from dif-

ferent civil society groups and can compel action for or against certain causes. An example of the successful use of hashtags to mobilize people was in 2014 when the Kinder Morgan Trans Mountain pipeline expansion became a trending topic in social media. In no time, environmental non-governmental organizations like the David Suzuki Foundation, the Sierra Club and Greenpeace mobilized hundreds of people to gather at Burnaby Mountain to protest. While many were arrested for civil contempt over illegally blocking geotechnical survey work, the powerful protests yielded positive results in terms of mobilization for the environmental advocates involved, because the developer faced costly and unexpected delays. Whether this can be considered real influence in the larger debate about petroleum development is uncertain; however, this may become clearer in the future as more civil society groups seem to be mobilizing along these lines.

Some argue, however, that when it comes to influencing the debate about oil and gas management, the media have widened, rather than closed, the gap between civil society groups and decision-makers, by sensationalizing issues and exaggerating the differences between and among individuals and groups. For instance, in the media coverage of the 2007 and 2016 Alberta royalty reviews, the news tended to cast different actors as adversaries, with each taking turns being the proverbial *good guys* or *bad guys*. For example: 'NDP [New Democratic Party] resist urge to squeeze more tax dollars from Big Oil in royalty review', (Gunter 2016) and 'Royalty panel haunted by ghost of reviews past' (Thomson 2015). This is common across much media coverage of oil and gas issues in Canada.

First Nations

First Nations play an important role in oil and gas management in Canada. Canada's First Nations are composed of what the federal government refers to as 'status and non-status Indian peoples', of which there are currently 617 communities representing more than 50 nations and aboriginal languages. In 2011, Canada's National Household Survey indicated that approximately 1.4 million people in Canada (out of a

total population of 33.5 million) identified themselves as aboriginal (Government of Canada 2016).

In Canada, the Crown has a unique duty to consult and accommodate aboriginal peoples as part of the law-governing decisions regarding aboriginal rights, lands and interests. In this way, First Nations communities differ uniquely from other actors in civil society who do not have such authority. Within the context of the oil and gas debate, this means that First Nations are powerful actors with influential voices. Breach of duty to consult can have major legal and financial consequences: for instance, in 2005, the Canadian government paid CAD 31.5 million to the Dehcho First Nations as an out-of-court settlement because the government had failed to consult or include the community in the regulatory review of the Mackenzie Gas Project. The following year, the court ruled that that the Dene Tha' First Nation should receive CAD 25 million in settlement due to breach of the duty to consult. As there are also several other ways in which First Nations communities participate in oil and gas development (for instance, as business owners), they are not only influential actors in the oil and gas debate, but critical decision-makers in their own right.

Non-governmental Organizations

Canada has a large non-profit sector. According to a 40-country study conducted by the Johns Hopkins Comparative Nonprofit Sector Project in 2005, Canada had the second largest non-profit sector in the world, measured against its economically active population (Hall et al. 2005). Over the past 10 to 20 years, NGOs have emerged as increasingly influential actors in Canada's oil and gas debate, particularly with respect to environmental issues. Local and international ENGOs have been particularly influential in the debate about oil and gas, using traditional and social media to advance their interests—most often to reduce or eliminate the environmental impacts of oil and gas activity. Many of these advocacy efforts have been targeted at either slowing or altogether halting the development of Alberta's oil sands, for example Greenpeace protests. In some cases, ENGOs have even come to exert influence over the state

and society through civil disobedience, or what the Sierra Club of Canada's executive director John Bennett described in a 2013 interview in the *Alternatives Journal* as 'breaking an unjust law or breaking a law to draw attention to an unjust law' (McDonald 2013). ENGOs have become increasingly influential actors in the oil and gas debate, shifting the terms of the debate towards environmental issues and concerns.

Political Parties

Political parties are important civil society actors in Canada, and while their influence on the oil and gas debate is perhaps overshadowed by the even greater influence of the media and industry, they play an important role in driving the debate, particularly at election time. Broadly speaking, they aggregate interests across diverse groups in society, initiate grassroots policy discussions, form a government and play a role in achieving consensus on important policies and legislation. Political parties are also ideologically motivated and drive municipal, provincial and federal campaigns, often shaping many of the electoral debates and public dialogues.

Oil and gas issues have featured prominently in Alberta's provincial elections. For instance, in the 2006 Progressive Conservative Party of Alberta leadership race, candidate Ed Stelmach vowed to review royalty rates in Alberta (Government of Alberta, News Release 2007). He made good on that pledge shortly after entering office, but was ultimately unsuccessful in pushing through his promised changes. Again, in 2014 as part of the New Democratic Party's platform, candidate Rachel Notley promised a royalty review during the campaign, which commenced shortly after her electoral victory (The Canadian Press 2015).

Other Actors

Many other individuals and groups in Canadian society also contribute to the oil and gas debate and exert varying degrees of influence on the state and society. The role of individuals, for instance, is to ultimately

hold decision-makers accountable through the democratic process, whereas the key role of academia and think-tanks is to provide facts and analysis, often tackling harder questions and advocating politically unpopular solutions. However, other traditional civil society actors like trade unions, educational institutions and religious organizations, play a much smaller role in the oil and gas debate in Canada, if any role at all.

Conclusions

Public debate, defined as the free and open exchange of ideas, is a cornerstone of Canadian democracy and plays an important role in the policy cycle. This chapter has explored the roles, influences and tactics of various groups in Canadian society, asking which have been most (and least) influential in the debate about oil and gas management in Canada. The most influential actors are found to be companies, the media and First Nations, whereas the least influential are trade unions, educational institutions and religious organizations.

This chapter has also discussed key characteristics that distinguish Canada from other petroleum exporters. Canada is a vast and geographically diverse federation where each petroleum-endowed province or territory makes its own decisions about developing its oil and gas resources; the oil and gas industry is the government's chief partner, with First Nations playing a key role in resource development. Other noteworthy aspects of the Canadian oil and gas debate are the relative neutrality of the mass media and the increasing role of social media in connecting individuals from different civil society groups to compel action for or against certain causes. As with many other countries, the stakes are high: without well-managed resources, the government might not receive the revenues needed for funding critically important public services, and Canadians might not have access to affordable energy or a healthy environment in which to raise their families. While hectic and adversarial at times, the discourse that has evolved in Canada about how to manage the nation's oil and gas has undoubtedly established space for individuals and groups to express diverse views and in doing so has served to improve the management of Canada's resources.

Notes

1. With the exception of Nunavut, which does not yet have devolution with respect to its resources.
2. For a comprehensive history of oil and gas in Alberta, see Finch (2005) and Jaremko (2013).
3. Tailings ponds are wet storage facilities where chemicals used in oil extraction are stored as part of the water-recycling process in the oil sands.

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6

Colombia: Oil and Civil Society

Carlo Tognato

Introduction

Over the past decade, the oil industry in Colombia and its major institutional reforms were markedly influenced by the country's strong and proud economic technocracy, seated in the Treasury and the National Planning Department, in the country's most prestigious faculty of economics—at Universidad de los Andes—and in the country's most influential think-tank—Fedesarrollo. The staff of these organizations have played a central role in the formulation and implementation of petroleum policy in Colombia.

Political parties, some other academic institutions and NGOs, trade unions and the media have also been engaged in public debates about the country's petroleum sector. To take one example, these stakeholders have been effective in stigmatizing the practice of fracking, thereby pre-

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emptively undermining its social licence and hampering efforts to introduce it in the country.

Specific to Colombia is the role that illegal armed groups have played in the management of oil revenues, particularly in the regions under their influence, where they have engaged in local politics and established themselves within local government bodies. For example, such groups and their support networks within the trade unions and academia fiercely resisted the 2011 reform of the national royalty system, which would have led to centralization of decision-making over the distribution of petroleum revenues.

However, there is an important feature of the Colombian case that obstructs civil society from exercising greater influence over management of the petroleum sector. The polarization of the Colombian public sphere regularly prevents public debates on petroleum issues from actually addressing the specific challenges facing the sector, leading instead into ideological conflicts. This is a war of attrition between supposed supporters of the guerrillas and opponents of capitalism on the one hand and opponents of the guerrillas and supporters of capitalism on the other.

In this chapter, I first provide a background to the petroleum sector in Colombia and then turn to the narrative repertoires employed by participants in debates on petroleum sector management. I identify which actors have been at the forefront of civil society engagement relating to petroleum sector issues, thereby setting the stage for my argument in the following section. Basically, I hold that broad civil society engagement is not sufficient for civil society to achieve its full potential. The way that the public sphere works, or fails to work, in Colombia has a crucial mediating effect on the potential influence of civil society actors. My analysis builds on a systematic ethnography of the social text of public debates over the petroleum industry that took place between 2010 and 2016 in the country's main mass media.

The Petroleum Sector in Colombia

In 2016, the Colombian government signed a peace accord with the world's longest-lived guerrilla movement, FARC, bringing to an end an armed conflict that had lasted for over 50 years, with more than eight

million victims. In the next phase of its political development, the country will face many challenges. These include the incorporation of the guerrilla movement into civic engagement processes and its participation in democratic politics and the need to meet the commitments made in the peace accord with a tighter national budget following a sharp decline in revenues from oil and minerals—all this against the backdrop of a deeply fractured society where much of the population is opposed to the peace accord. Moreover, peace negotiations are underway with the second largest and oldest—and possibly the most dogmatic—Colombian guerrilla group, the National Liberation Army (*Ejército de Liberación Nacional*, ELN), which has long extracted high rents from oil-rich regions and has actively targeted petroleum infrastructure.

Over the decade until 2016, the average share of the oil industry in Colombia's GDP was 5.88%. Oil exports traditionally made up from one-fourth to a third of the country's total exports, but in 2015, the figure rose to 50%. In 2011, the share of the hydrocarbons industry in the economy was triple that of the cattle industry and eight times that of the textile industry. With every dollar decrease in the oil price, Colombia loses COP 80 billion or approximately USD 27 million per year. Between 2010 and 2014, the collapse in the price of coal (−51%), gold and nickel (−36%) and oil (−60%) also led to serious loss of income. The concurrent decrease in oil production further meant that the provinces most dependent on oil revenues lost up to 40% of their budgets (Acosta 2015).

Over the past century, Colombia's oil industry has adopted various institutional regimes to regulate the development of its oil resources and the distribution of oil revenues in society. Between 1905 and 1994, the state share of oil revenues increased from 50% to 81%, but since 1998, it has dropped to 68% (Indepaz 2013, 19–22). The evolution of the institutional framework regulating oil exploration and production since 1998 clearly indicates the aggressive pursuit of oil investment on the part of the Colombian government, with significant results. Between 2008 and 2012, oil production almost doubled, reaching a million barrels a day (Indepaz 2013, 23). This strategy, however, has attracted criticism from oil workers, environmentalists, and some academics and politicians, particularly on the left, who advocate a greater government share of revenues and stress the need to limit the expansion of the oil frontier in order to take social and environmental impacts better into account.

Oil in the Colombian Public Sphere

At times of crisis when oil prices plunge, as in 2014–2015, public debates over oil revenues and not least their redistribution tend to become particularly contentious. In Colombia, such debates have touched on a range of issues: the design and implementation of the national royalty system, the prospect of nationalization of petroleum resources, and the environmental and social impacts of oil exploration and production. A broad spectrum of actors has participated in these debates, including politicians, NGOs and academics. Their discussions have taken place in the two main daily newspapers, *El Tiempo* and *El Espectador*; the main weekly magazine, *Semana*; the leading financial daily, *Portafolio*; one of the top ten Colombian radio stations, *W Radio*; and to a lesser extent in *La Silla Vacia*, Colombia's leading news website focusing on political analysis. It is only when environmental and social impacts of the oil industry have come to the fore that debates have managed to unite broad coalitions of politicians, social, environmental and civil organizations and academics from across the political spectrum. This movement has been able to disrupt the bloc of political, economic and social interests that supports the more technocratic responses that appear to dominate on issues such as royalty distribution and resource national. The public debate over fracking is a clear example of this, as discussed below.

Public debate on petroleum issues peaked in 2010 with the reform of the national royalty system, as well as in the aftermath of this reform, once the effect of the new system had become apparent. The reform of the royalty regime, championed by the economic technocracies at the Treasury and the National Planning Department, was carried out for several reasons—not least, the inequality associated with the concentration of royalties in a few oil-producing provinces and the low impact of the projects funded by these revenues. Eight provinces with just 17% of the total population received 80% of the royalties between 1995 and 2010. Projects were fragmented, poorly planned and poorly executed, and had little socio-economic impact. Moreover, while the oil-producing provinces developed high dependency on oil royalties and had low taxes, their sustainable development performance was poor.

The new royalty distribution system split the funds between direct royalties (34.5%), science and technology projects (10%) and a compensation and development fund (26%), leaving the remaining 30% for savings. Tripartite committees (*Organo Colegiado de Administración y Decisión*, OCAD) of national authorities, provincial authorities and local authorities have been entrusted with selecting the projects to receive funding, but with the national government retaining veto power. Since the new system has been introduced, funding has gone into projects in several areas, mainly transportation, education, water and sanitation, science, technology and innovation, housing, health and social welfare and agriculture (Cárdenas 2013).

Various stakeholders have participated in the debate over the new royalty system. One of them has been especially influential: Amylkar Acosta, one of the most persistent voices on oil issues in Colombia over the past three decades. A former Congressman and former President of the Colombian Senate, Acosta served on the Fifth Senate Commission dealing with energy and mining issues. He also served as Deputy Minister for Mining and Energy in the early 1990s, and in 2013 he was appointed Minister for Mining and Energy. Coming from the Caribbean coast of Colombia, he has traditionally stressed the primacy of local and provincial governments over the central government in the management of oil revenues.

Acosta has attacked the new national royalty system on several fronts. The new institutional framework, he holds, runs counter to the principles of decentralization and territorial autonomy (Acosta 2015). It fails to solve the question of the dispersion of resources to many small projects that the government has promised to address (Acosta 2012a). By establishing the new tripartite committees, the royalty system reforms have generated a new governance bottleneck. Acosta has warned that, instead of being ‘triangles of good governance’, these committees may turn into ‘Bermuda triangles’, into which all prospects of actually distributing the benefits from oil across Colombia would disappear. Finally, Acosta has noted that by August 2012 such committees had already established a bureaucracy of more than 100 officials, without even starting to allocate funding (Acosta 2012b).

Also actively engaged in this debate is Jorge Enrique Robledo. A leading member of the main left opposition party, the Alternative Democratic Pole, Senator Robledo voted against the new royalty system bill, because he objected to the centralizing effects of the new design. The new system, he warned, would concentrate more power in the Presidency and would end up funding macro-projects (León 2011), something that the Colombian Left has long opposed (Vidal Garcés 2012). Robledo has also objected to the prospect that royalties might be privatized. Under the new royalty framework, private companies, including multinationals, would be in a position to develop and implement projects funded by the royalties. Robledo has also called for a more prominent role for the Auditor General in auditing the royalties spent on projects (Robledo 2011). More generally, he has criticized the weakness of the institutional framework intended to audit the oil industry. Under the current arrangement, he has argued, state officials must rely on the information provided by the oil companies, which exposes the country to the risk of getting short-changed on royalties (Notiagen 2011). Robledo has also repeatedly stressed that the oil contract regime is very disadvantageous for Colombia, 'the worst oil contract in the world': royalties are shameful, as low as 'a ridiculous 8%', and the new oil contract regime in place since 1998 mimics the older concession contract system that was in place between 1905 and 1970 and exhibited a clear 'colonial streak'.

Colombia's leading trade union for the oil industry, USO (*Unión Sindical Obrera de la Industría del Petróleo*), has been highly active in the public debate on nationalizing oil. USO has also strongly criticized tax incentives aimed at attracting oil investments to Colombia. As one trade union leader has pointed out, there is no prejudice against multinationals, but Colombia needs to take its fair share (USO 2015b). The recent transfer of one of the country's largest oilfields, Campo Rubiales, from the foreign private company Pacific Rubiales to the Colombian company Ecopetrol has been hailed by USO (2015a) as 'an act of dignity and sovereignty and as a step towards greater labour and human rights protection against outsourcing and labour insecurity'. Here we should note that while USO is strong within Ecopetrol, its power has been declining over the years in oil operations run by foreign private investors.

The Peoples' Congress (*Congreso de los Pueblos*) is a social organization that has been quite vocal in public debates over oil. In line with the Colombian Left, it has insisted that the nation should reclaim its natural resources—through reform of the tax and concession regimes, renegotiation of current contracts to increase the government share in revenues and making public all information on taxes, royalties and oil output. It also argues that Colombia should reclaim control over mature fields (which account for most of the country's oil output), reduce the environmental impacts and promote public oversight and environmental monitoring by local communities. It believes that full government control of Ecopetrol should be reinstated and a national petrochemical industry developed (Harman 2013). In short, the oil business should not be left to multinationals and corrupt politicians but should serve to build a better life for the people of Colombia (Congreso de los Pueblos 2013).

Another NGO, the Colectivo de Abogados 'José Alvear Restrepo' (CAJAR), has also participated in public debates over the use of natural resources in Colombia. CAJAR emphasizes the right to self-determination of peoples, sovereignty, development and peace with social justice. Together with two other NGOs, CENSAT-Agua Viva and Instituto Latinoamericano para una Sociedad y un Derecho Alternativos (ILSA), CAJAR has issued a communiqué arguing that the current 'extractivist' development model pursued in Colombia is allowing the country to be robbed. According to CAJAR, mining, oil, hydropower and agribusiness end up 'privatizing life, destroying ecosystems, doing away with the sovereignty of peoples and increasing the criminalization and the threats' against social organizations like trade unions, peasants' organizations, indigenous organizations and other civil associations (CAJAR, CENSAT, ILSA 2015).

Participants in public debates over the nationalization of oil—or, in its softer version, over the design of an institutional regime that may enable Colombia to reclaim its national resources from foreign investors—tend to align themselves along an ideological divide. In general, those on the Left, including left-wing political and social organizations and bases within academia and the insurgency, have stood together against the rest. The coalition against fracking, however, has overcome all ideological and

class divides. By stressing the need to defend the right to water and by toning down its call against foreign multinationals, here the Left has managed to attract intellectuals, politicians, academics, and social and environmental organizations that do not necessarily side with the Left in all its battles. Some leading figures within the Colombian Left, such as Congressman Iván Cepeda, who is very close to the positions held by FARC, have been highlighting the issue of water by stressing the effects that foreign oil companies have had on the desertification of certain regions of Colombia.[1] Cepeda has declared his opposition to oil and mining in the high mountainous regions that are sites of major water sources, and has denounced the high level of water consumption in oil operations (Cepeda Castro 2014).[2]

Some media have played a particularly active role on the issue of fracking. As economic analyst Alberto Bernal-León (2014) put it, W Radio and its team 'broke the back of fracking in Colombia, even before it got started in the country. For the average Colombian listening to W Radio, fracking today is anathema.' Further 'fracking has become to Colombians the equivalent of not being able to drink clean water'—even though the factories that dump their residues into the Bogota River are far more damaging than fracking will ever be.

Interestingly, the broad coalition formed in the Colombian public sphere around the defence of the right to water in the context of the oil industry has proven hesitant to criticize FARC's repeated attacks against oil pipelines and trucks (*El Tiempo* 2015). And some environmental organizations that generally avoid issuing declarations against the guerrillas have merely warned that the civilian population and the environment should be left out of the armed conflict (Semana 2015). In an op-ed in *Portafolio*, León Teicher, one of Colombia's most civic-minded entrepreneurs, pointed out that such a response was remarkable for its asymmetry. If, instead of being caused by FARC, the spillage of thousands of barrels of oil had been caused by a multinational oil company, social and environmental organizations would have reacted far more sharply in condemning the environmental disaster triggered by the oil spill (Teicher 2015).

According to Fundación Paz y Reconciliación, in 2014 there were 153 attacks on oil infrastructure by FARC, and 80% of these were concen-

trated in two provinces (Crudo Transparente 2015). ELN attacked petroleum infrastructure 68 times in 2014. The ceasefire that FARC committed to between 20 December 2014 and the end of May 2015 reduced attacks by 90%. However, from the end of the ceasefire to 30 June 2014, there were 48 attacks, of which 42 were by FARC. In 2014, the attacks resulted in almost 3.1 million barrels of lost production. Of 49 contracts in two of FARC's stronghold regions, Caguán and Putumayo, 25 have been suspended for security reasons (Crudo Transparente 2015). Recent attacks have affected over 160,000 people. As pointed out by the Colombian Oil Association, an organization representing oil producers, since 1986, 4.1 million barrels have been spilled as a result of guerrilla attacks, equivalent to a spill 15 times greater than the *Exxon Valdez* disaster off the Alaskan coast in 1989 (EFE 2015).

Only a few observers have voiced criticism in the face of the environmental disasters triggered by FARC. Others have stressed the incoherence of FARC messages. For instance, FARC recently praised a statement by Pope Francis in favour of protecting the commons, but they damage the environment themselves by attacking petroleum infrastructure (Pardo 2015). Senator Robledo has distanced himself from such actions (Roble Zabala 2015). In an interview in 2015, Manuel Rodriguez, the former Minister of the Environment, a leading Colombian environmentalist and a professor at Colombia's main private university, referred to the guerrilla attacks as 'ecocides' (cited in *Semana* 2015).

The reluctance of some environmental organizations to make more explicit statements against the guerrilla attacks on oil infrastructure can be explained partially by the fact that these organizations need to be able to operate in areas where the insurgency exercises overwhelming control. Taking too assertive a public stance against guerrilla groups would threaten the possibility for such organizations to operate in the field under reasonable risks. That said, it is also apparent that the Colombian public sphere functions in a highly partisan way, often precluding consistency in arguments and undermining the possibility for participants to demonstrate greater accountability. Such partisanship is a consequence of the extreme polarization that characterizes Colombian society and is a by-product of decades of internal armed conflict. This polarization often precludes the possibility of developing new approaches to petroleum sec-

tor governance or other policy areas through public debate. However, we should also recall that this polarization is not unique to Colombia, but can be found in several other Latin American countries as well. Participation in the public sphere under high levels of polarization degenerates into a commitment ritual whereby actors merely reaffirm in public their allegiance to one camp or the other. In such countries, public discussions tend to become zero-sum games where the friend-or-foe logic resembles the logic of war more than that of democracy.

The Colombian Public Sphere in Focus

The degeneration of the Colombian public sphere into a zero-sum game is a by-product of over six decades of domestic armed conflict during which the logic of war has permeated both the state and civil society. State agencies—in particular the judiciary and the security forces—political organizations, economic organizations, elite networks, trade unions, social organizations, university staff, students, professional networks, the media and local communities in the conflict zones have all been directly or indirectly exposed to illegal armed groups, on both the insurgency and the counter-insurgency sides. Actors within the state and civil society have regularly been courted, seduced and co-opted by illegal armed groups, whether guerrillas or paramilitaries. Some have turned a blind eye to their doings and have simply let them operate. Others have benefited indirectly from their presence. Some have cooperated sporadically with them for profit, whereas others have sustained continued engagement with them. Some have merely sympathized with them and given moral support, while others have supported them logistically or politically. Yet others have lived double lives, simultaneously operating as part of an illegal group and working for the state or participating in official political processes.

This broad range of interaction involving illegal armed groups, the state and civil society has also been a consequence of the logic of combining different forms of struggle, a Leninist doctrine that calls for parallel engagement on the military front of guerrilla warfare against the state and in the official political process with the state and civil society. This

doctrine has characterized both the pro-insurgency and the counter-insurgency camps.

This complexity on the ground has important implications for the dynamic of public debates: participation in these debates signals not only where people stand on specific issues but also where they stand in relation to the two fronts opposing each other in the internal armed conflict. The latter consideration may cast problematic shadows of inauthenticity on the former. For example, someone who unequivocally condemns the guerrilla attacks against the oil infrastructure also risks being stigmatized as a sympathizer with large-scale capital, with multinational corporations and possibly even with the cruel counter-insurgency war carried out by paramilitaries. Any concerns for the environmental and societal damage that such attacks might produce will be open to accusations that these concerns merely serve as a smoke screen. Similarly, anyone who expresses objections to direct or indirect support on the part of oil companies to members of state agencies that might collaborate with paramilitary organizations risks being accused of collaborating with the guerrillas, and the objections may be seen as attempts to impede the counter-insurgency struggle.

An anecdote illustrates how difficult it is to keep focusing on the most important issues under such circumstances. A few years ago, an employee of a major oil multinational who wrote the company's human rights policy in Colombia described her situation thus in an interview with me:

> Radical social organizations stigmatize me as a neoliberal-fascist [*sic*!], because I am working for an oil company. Peers in other oil companies, on the other hand, refer to me as the blond *guerrillera* just because I am pushing ahead an agenda on human rights within the industry. With such polarization, it is really difficult to foster productive conversations as how to constructively reform the industry where it is needed.

A well-functioning public sphere in an open democratic society should not only allow for people to express openly whether they belong to one camp or the other: it should also be conducive to careful scrutiny of the strength of each contribution to the public debate. When the public sphere is highly polarized, however, this possibility is lost,

and it will be impossible to reap the full benefits of broad and inclusive democratic engagement. That is why access to the public sphere and to public debates for a wide spectrum of civil society actors is not sufficient in and of itself.

Conclusions

Two different groups of actors appear to influence the way the oil sector is managed in Colombia—the pro-insurgent anti-capitalists and the procapitalist anti-insurgents. Their effectiveness at pushing their own agenda varies, depending on the issues under discussion. Over several decades, macroeconomic management in Colombia has been orthodox to the extent that the country has never experienced a debt crisis or hyperinflation, unlike elsewhere in Latin America. Against such a backdrop, it is hardly surprising that, in debates over the design of the national royalty system or the nationalization of the oil industry, the technocratic networks in charge of the macroeconomic management of the country—including the National Planning Department, the Treasury and the think-tank Fedesarrollo—have managed to gain support from members of traditional political parties, mainstream media and the private sector, ultimately prevailing over more radical networks. The latter include the left and extreme left parties, academics teaching mostly at state universities, radical civil society organizations, the oil industry trade unions and the alternative media.

However, a broader coalition has developed with a focus on the environmental and social impacts of the oil sector. This coalition has managed to break the former bloc and reassemble it, bringing together political figures from across the political spectrum, a set of conservative, liberal and radical academics from private elite and state universities, the trade unions, various social organizations, either peasant or indigenous, and even church organizations. Illegal armed groups on the insurgency side have added their weight by mobilizing the organizations that support their platforms.

The influence of civil society actors tends to be issue-specific. Overall, though, in Colombia the following stakeholder groups (in order of effectiveness) have influenced the management of the oil sector: political parties, the media, companies and investors, international organizations, trade unions, foreign and local NGOs, research institutions, educational institutions, religious organizations and, finally, individual citizens.

This book seeks to shed light on how society influences the way the petroleum industry is governed, and it starts from the premise that the engagement of civil society in resource management and revenue redistribution is beneficial. The openness of the public debate over decisions on oil is an important factor. In this chapter, however, I have argued that, if civic engagement is to deliver the benefits it is supposed to produce, it is not sufficient for the public sphere to be open to a broad range of actors, or to grant freedom of speech, for them to be able to bring up a sufficiently wide spectrum of issues in public debates. Nor is it sufficient to count on a plurality of civil society actors that actively address oil issues in the public sphere. The specific way in which the public sphere operates, or fails to operate, decisively influences the extent to which civil society engagement can benefit the oil industry in a given country.

Due to the polarization of the Colombian public sphere, debates on petroleum issues rapidly degenerate into mere expressions of the participants' views on the overall economic model of Colombia and/or their views on the insurgency—thereby losing sight of the specific issues involved in the petroleum sector and squandering the opportunities for constructive reform that civil society engagement could bring.

Notes

1. @IvanCepedaCast, "La compañía petrolera Pacífic Rubiales está desertificando territorios enteros en Casanare y Meta", 8:25, 30 April 2014.
2. @IvanCepedaCast #PNDInconstitucional, "Art177 permite explotación minera y petrolera en paramos. Se viola derecho fundamental al agua y a equilibrio ecológico", 9:01, 6 May 2015.

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7

Egypt: State, Society and Energy Caught in a Vicious Circle

Robert Springborg

Introduction

The 'fierce but brittle' Egyptian state has general characteristics of authoritarianism as well as facets specific to itself that militate against effective involvement of civil society in most areas of public policy-making (Ayubi 1995). While national security affairs are virtually a no-go zone for civilians, civil society is also notably absent from policy-making for energy in general and oil and gas specifically—sectors of marked sensitivity, because oil and gas generate a disproportionate share of rents and are central to distributional issues more broadly. This exclusion of non-governmental actors is manifested at the most basic level by the general absence of reliable, timely, authoritative information and is especially noticeable as

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regards oil and gas and their downstream uses, including electric power generation. As with other authoritarian systems, Egypt's information-shy nature is reflected by relevant indices.[1] For instance, Egypt is 13th last of 93 countries included in the Open Budget Index (International Budget Partnership 2015). Egypt's 2013 budget was prepared in secret and not publicly released until the government was forced to do so, following a successful legal case lodged by an NGO (Pfeifer 2015).

Egypt is not a member of the Extractive Industries Transparency Initiative (EITI)—the gold standard, as it were, of national public information for the petroleum sector (EITI 2016). Egypt ranked 159th out of the 180 countries listed in the Reporters without Borders 2014 World Press Freedom Index, accounting for almost 10% of all journalists imprisoned worldwide that year (Reporters Without Borders 2015). The media are dominated by state-owned and directed outlets that provide information and analysis only as approved and, indeed, instructed by government. Leaked video and audio tapes, subsequently authenticated, have revealed that the current military government regularly instructs journalists of the state-owned media on what stories to report and how to report them (Kingsley 2015). As is also typically the case in authoritarian polities, elected bodies at the national and local levels exert little oversight over the executive branch, which is reflected in their inability to force the executive to divulge relevant information. Egypt's parliament has never played a significant role in making or overseeing policy for the energy sector, as indicated by its total lack of involvement in the controversial decision taken by the Mubarak government to export gas to Israel. The parliament was prorogued in 2012 and not reinstated until 2015, during which time presidential decrees essentially overhauled the energy sector.

Specific Features of the Egyptian State

Egypt's authoritarian state differs from many others in that it has a state within the state: a 'deep state' consisting of the ruler and his immediate entourage, the military and the security/ intelligence services (Springborg 2014). It is within this deep state that energy policy is determined,

depriving even other agencies of the executive branch of the power and capacity to implement their constitutional and legal duties. The two main executive regulatory agencies, the Central Auditing Agency and the General Organization for Administration, are themselves subordinate to the deep state, as indicated by the practice of their directors frequently being former army generals—including, in one recent instance, the former head of military intelligence and mentor of President Sisi when he served in that department (Springborg 2014). These regulatory agencies can act only with the backing of the deep state; they have never exercised meaningful oversight over the energy sector and are renowned for high levels of corruption. Even state institutions outside the deep state manage to resist the efforts of the Central Auditing Agency to oversee their financial affairs, as evidenced by the public testimony of its director, who lamented their successful resistance to a draft freedom of information regulation (Ahram Online 2015a).

The Ministry of Finance is similarly subordinate to the deep state, as shown by the military's continued pursuit and harassment of the long-serving Mubarak-era minister, Yusuf Butrus Ghali, whose key offence was to attempt to force military enterprises to pay taxes. His successor as minister, Hazem Beblawi, wrote, after being removed from that position, that the Ministry of Finance could not effectively manage the state's accounts because it did not have access to the financial information of a host of state entities, many of them either within or protected by the deep state (Beblawi 2012). The deep state's reach into the judiciary was already substantial prior to the military seizure of power in July 2013, after which jurisdiction over many aspects of the energy sector were effectively transferred to military courts through the newly issued constitution and associated legal decrees. The constitutional and associated legal device for effectuating this transfer was the stipulation that all military and vital state installations would fall under the jurisdiction of military rather than civilian courts. So, for example, petrol stations owned and operated by the military have been deemed to be under the jurisdiction of military courts, which in 2014 tried civilians involved in disputes with attendants at those stations. The combination of military ownership of enterprises within the energy sector and the strategically vital nature of the sector itself ensures that unless and until the military's 2014 Constitution and

subsequent decrees are amended, replaced or deleted, civilian courts will have no effective jurisdiction over the energy sector.

A related characteristic of Egypt's authoritarianism that militates against civil society involvement in policy-making for the energy sector is state ownership of virtually all elements of that sector, from extraction to processing to distribution. All fossil fuels are state property. The extraction, processing, distribution and marketing of oil and gas are under the control of state holding companies that report to the Ministry of Petroleum. The Egyptian General Petroleum Corporation (EGPC), founded in 1956 and wholly owned by the government, with primary responsibility for oil, in turn owns 70% of the shares of the Egyptian Natural Gas Holding Company (EGAS), founded in 2001.[2] These two companies contract with domestic and international firms to implement upstream and downstream operations, many of which, including a chain of petrol stations, are owned directly by the military, by one of its holding companies or by retired officers.

The role of the military in the energy sector has been further expanded since the fall of Mubarak. In 2014, for example, the National Bank of Egypt granted a loan of USD 20 million to Tharwa Petroleum, majority-owned by the military, to facilitate its development of two oil fields to which it had been assigned rights by the Ministry of Petroleum in that and the preceding year (Marshall 2015). Neither the Ministry nor its holding companies have developed significant capacities in their own right. Comparative independent assessments of Egypt's public-sector management of the oil and gas sectors are universally negative (see Springborg 2014). Among the problems identified are lack of accuracy and transparency of information. The Ministry of Petroleum and its holding companies have regularly overstated hydrocarbon reserves and have failed to provide authoritative data on production (Springborg 2012, 302). Civil society thus confronts a hydrocarbon industry owned and operated by the government and those companies, domestic and foreign, with which it chooses to do business—which in many cases are also owned partially or wholly by the government, especially the military. This state-dominated industry has few incentives to operate in a transparent, openly competitive fashion and cannot provide entry points or even information through which civil society might engage with the oil and

gas sectors. Even parliament is denied relevant information, as noted pointedly by one of its members who lamented the absence of production figures (Springborg 2012, 302).

A final aspect of state ownership and control is that virtually all Egypt's oil and gas fields are on state-owned land, typically in fairly remote onshore locations, like the western desert, or offshore in the Mediterranean or the Gulf of Suez. Unlike Nigeria or Iraq, for example, where hydrocarbon deposits are located in relatively heavily populated areas and ones in which different ethnic, religious and/or tribal groupings are struggling with one another and against the central state for shares of hydrocarbon-derived revenues, Egypt has no credible peripheral actors to contest with one another or with the centre for claims on the country's hydrocarbon wealth.

Egypt's authoritarian state, now resting almost entirely on the military, treats energy as if it were a sub-sector of national security, hence a domain in which the military is the only legitimate actor. This authoritarian thesis of exclusion and control results in an antithesis for civil society of frustration that alternates between despondency and vituperation, and sometimes physical aggression. This Hegelian dialectic and its consequences for civil society are particularly characteristic of the energy sector, as reflected most dramatically in Egypt's controversial gas trade with Israel. A secretly negotiated deal signed in 2006 with a company established by Hussein Salem, a Mubarak crony and former intelligence officer, and his partner, a former Israeli intelligence officer, resulted in Egyptian gas being exported through a newly constructed pipeline across the Sinai Peninsula to Israel at a fixed price of some USD 1.50 per million BTUs, which at the time was a fraction of the average global price for natural gas. When information about the deal slowly trickled out, civil society activists became increasingly strident in their criticism. Indeed, allegations that Mubarak and Salem were splitting the vast profits from the export of Egypt's gas to its historic enemy constituted one of the most powerful indictments of the regime as it teetered and then fell in 2011. And as it was falling, the first of what ultimately became some 20 physical attacks on the pipeline occurred, initially disrupting then stopping the flow of gas entirely.

That was also the year when Egypt's gas production began to decline rapidly as its local consumption spiralled ever upward, leading to severe

shortages, electricity blackouts and non-fulfilment of export contracts with the international companies that were owed gas in return for their having developed the fields and export facilities. In the meantime, Israel set about developing its own offshore gas fields. By 2013 the new military regime was approached by Israel and the international gas companies involved in the development of both its and Egypt's gas industries, wanting the still-existing but unused pipeline to be brought back into service—only this time with the gas flowing from Israel to Egypt and at a price at least three times higher than what Israel had paid Egypt from 2006, despite a global gas price decline in the interim. The two existing LNG facilities in Egypt would then be used to liquefy and export Israel's gas to Europe, thereby saving Israel the cost of building new liquefaction facilities. After more than a year of negotiations, a deal along these lines was signed. As was the case during the Mubarak era, negotiations were conducted in secret and at the highest levels, with few details made public in Egypt. Interested elements in civil society thus had to rely primarily on accounts from Israel and in the international media to follow the progress of the negotiations and report on them in the Egyptian media. Since parliament had been prorogued, it played no role in the negotiations or approval of the final contracts. The military government took the risk of signing these, because of its profound need for gas and because it calculated that its popularity was sufficient to weather the inevitable criticism from civil society—which it rapidly moved to counter in the state-owned media (see, e.g., Howeidi 2015). That the Sisi regime discounted the potential blowback from civil society in signing a deal that could conceivably prove just as controversial and damaging as Mubarak's 2006 contract with Israel gives rise to a pertinent question: why is civil society in Egypt limited to the roles of ineffective critic, street protestor or, depending on the definition of civil society, terrorist?

Causes of Civil Society Weakness

The weakness of civil society in Egypt reflects and is due to its lack of coherent organization, resulting primarily from its lopsided Hegelian dialectic involving an authoritarian state that seeks to block

autonomous, structured collective activity. Despite the importance of the energy sector, it has stimulated no more development of focused civil society organizational capacity than other sectors of lesser importance. A major stumbling block is the lack of non-governmental capacity to gather and analyse information about energy. Mention has been made of constraints on media reporting, but the problem is even more fundamental: expertise to gather and utilize information on energy is limited. Indeed, there seems to be an inverse correlation between the comparative importance of a sector and the availability of independent expertise about it. Egypt has few non-governmental experts on national security and energy issues, for example, but a comparatively large number dealing with say agriculture or the problems of small and medium enterprises. High-risk areas repel expertise; low-risk ones attract it.

There are few independent arenas within which expertise on energy can be developed, and no university departments or affiliated institutes specialized in energy. Although Egypt has many faculties of economics, it produces very few energy economists. None of the country's most prominent economists have that specialization. The two leading economics think-tanks, the Economic Research Forum and the Egyptian Centre for Economic Studies, produce comparatively few studies on energy in Egypt or elsewhere. The oil and gas industry itself is essentially bifurcated between foreign firms and Egyptian state-owned ones, with little in the way of an indigenous private sector to provide opportunities for the public to develop knowledge and skill in the industry. Similarly, here are relatively few financial analysts specialized in energy. Many of the prominent ones are foreigners working in financial institutions that are partially or wholly foreign-owned. The Egyptian financial firm most involved in the energy sector, Citadel Capital, has developed substantial analytical expertise in oil and gas, but its close relationship with the government militates against that expertise being put to public use (Marshall 2015, 8). Even closer relations of a rent-seeking nature tie most of Egypt's energy-intensive and, increasingly, power-generating private companies to the government, thereby limiting the contribution that their oil and gas specialists might make to improve knowledge of energy issues in civil society.[3]

Unable to draw upon substantial, independent capacity to report on and analyse policy for oil and gas, having little access to relevant information about the sector, and prevented from establishing autonomy from government, the key organizational components of civil society, including NGOs, political parties, trade unions and the media, lack the capacity to engage effectively in the public policy process for this sector. They tend thus to ignore it or to comment upon energy in terms that are more ideological than analytical. Political parties are instructive in this regard. Their platforms generally contain little if anything about oil and gas. The Muslim Brotherhood's 2007 election platform, probably the most elaborate in the long history of that organization, contained nothing about energy (Brown and Hamzawy 2008). Five years later, the platform upon which the Brotherhood rode to electoral success called for 'all oil and gas deals to be reviewed', claiming that this could produce USD 18 billion in governmental revenues—presumably from a revision of the price of gas deliveries to Israel, which by this stage had in any case ceased (El Dahshan 2012). The platform contained nothing else about oil and gas. Other political parties have similarly failed to develop comprehensive programmes for the energy sector, confining their engagement with it to point-scoring against the government, most noticeably in relation to the gas transaction with Israel. So, for example, when the government announced its decision to import gas in January 2010, leaders of the major parties, including the Wafd, Tagammu`, Jabha and Nazareth Parties, rushed to condemn the decision, linking it in all cases to what they described as the inappropriate policy of exporting gas to Israel (Al-Dargali and Gawish 2010).

Governmental and quasi-governmental bodies perform the policy discussion and analysis functions that non-governmental organizations, including think-tanks, fulfil in democratic systems. The Cabinet Information and Decision Support Center, for example, created in 1985 as the instrument through which information technology could be employed by the government—and possibly denied to potential civil society users—extended its reach into various policy areas, including energy, for which it created a department specialized in 'energy efficiency'. This department intermittently sponsors conferences on energy matters, with speakers who are invariably Egyptian government officials or

employees of international oil companies. Civil society organizations and their members are not recorded as participating in these events (Farid 2014). In 1986 the government established the New and Renewable Energy Authority, which drafted a series of plans for this energy subsector, none of which has come to fruition and in which no civil society organization has participated.[4] As with the Cabinet Information and Decision Support Center, the New and Renewable Energy Authority hosts conferences, to which representatives of civil society are not invited (Daily News Egypt 2014). The Egyptian Electric Utility and Consumer Protection Agency (EEUCPA) is the governmental regulatory agency for the power sector: civil society has no formal representation on its board or in its management (Norton Rose Fulbright 2013).

Autonomous labour organization within the oil and gas sector is nonexistent. This may seem surprising, for in several other sectors—most notably, textiles and transport—wildcat unions have intermittently challenged the government-dominated Egyptian Trade Union Federation (ETUF). A coalition of such labour organizations that emerged at the time of the 2011 protests even managed to win at least temporary legal recognition of their existence and of their right to undertake collective activities, including bargaining with employers, on behalf of workers (see Beinin 2012). The broad coalition formed by independent labour organizers at that time did not include representation of the oil and gas industries. This vital sector is characterized by having what is possibly the most quiescent workforce of any sector of the Egyptian economy. Even the public service has witnessed more labour discontent, including strikes, than has the energy sector. At no point in Egypt's history, including during the dramatic events of 2011–2013, have oil and gas workers asserted themselves, economically or politically. In the more mundane areas of wages and conditions, and bargaining over them, there is similarly no record of assertion of oil- and gas-worker preferences through the ETUF or wildcat unions. Various explanations of this curious lacuna are possible. One is that workers in this comparatively productive, wealthy sector are relatively well paid and treated. Another is that this sector has the highest proportion of foreign workers of any in the Egyptian economy. A related explanation is that many Egyptians employed in the sector are in managerial positions, with much of the technical work being performed

by foreigners. Or it might be that the strategic nature of the sector causes the government to be particularly vigilant in monitoring and countering labour organization within it. Whatever the cause, the consequence is that employees in this sector do not organize independently, nor do they have any discernible impact on oil and gas policy.

The media and the broader, unorganized public who consume media outputs similarly reflect the unfocused, non-programmatic nature of debate on energy. As noted, the government-owned media, which dominate terrestrial broadcasting and account for considerably more than half of newspaper and magazine circulation, parrot the government line, which on energy matters is a little more than 'trust us'. The second-largest segment of the broadcast and print media is made up of private outlets owned by cronies of the Mubarak regime, all of whom were then prominent media owners and have remained so under President Sisi.[5] A common interest shared by most of these cronies is access to cheap energy, for it is in energy-intensive industries—including cement, ceramics, fertilizer, and iron and steel—that most made their greatest profits. The media outlets they own and whose editorial content they carefully monitor and even direct, much as the government does with its outlets, are discouraged from presenting independent analysis and commentary on energy matters. This is not to say that occasional, sometimes incendiary, commentary is altogether absent from the media, especially the pan-Arab satellite broadcasters. For example, claims were made by Al Jazeera and then widely repeated in the Egyptian media that Egypt had directly lost at least USD 11 billion as a result of the gas deal with Israel (Al Jazeera 2014).

A sustained debate based on in-depth knowledge of and reporting on energy issues does not exist in the popular media. The differential costs and benefits of energy subsidies, which have for about a decade consumed some one fifth of all public expenditure, have not been the subject of informed public debate.[6] Substantial increases in fuel prices resulting from a reduction in subsidies were announced abruptly by the Sisi government in 2014, without prior notice or public discussion. That the reduction in subsidies was uneven and less harmful to commercial than private consumers was hardly noted. While vehicle owners faced price increases for liquid fuel of up to 78%, energy-intensive industries were

subject to much lower proportionate increases; they were also granted authority to import their own fuel and generate their own electricity, utilizing coal if they chose to do so. While there was some discussion in the media about the adverse environmental impact of burning coal to generate electricity, it was limited and had no impact on policy.[7] The dramatic fall in global oil and gas prices from 2014 initially reduced the government's subsidy bill. By the third quarter of 2015, however, that bill had crept back up to record levels, primarily as a result of increased costs of subsidized electricity, rising from LE 141 billion in June–September 2014 to LE 170 billion in the same period in 2015. This rise in turn drove the budget deficit as a percentage of GDP to almost 3% for that quarter alone, indicating an unsustainable annual rate for 2015–2016 of some 12%. As was the case with previously released financial data associated with energy matters, also this instance passed without attracting in-depth discussion of the consequences (Ahram Online 2015b). The government's view on energy subsidies and their reduction thus seems to be that so long as the public does not seem likely to take to the streets to protest price increases, the government will take and announce its decisions as it sees fit. It does not feel compelled to present a detailed case to the public on the need to reduce or alter subsidies, nor to justify the unequal burden-sharing involved. For its part, civil society is neither strong nor capable enough to force the government to engage in such debates.

State, Society and Energy: A Vicious Circle

The case of Egypt confirms the modified resource curse hypothesis—that significant income from hydrocarbons in poorly governed political economies has negative consequences for both the polity and the economy (Auty 2012). In this chapter, the imbalance between a strong, if brittle, state and a weak, fragmented civil society has been identified as a cause of poor governance. The imbalance reflects and contributes to a lack of accountability and transparency, poor regulatory capacities, corruption and, most likely, inefficient governance and deficient rule of law—all key indicators of poor governance. And indeed, Egypt's rankings on the

World Bank's six governance indicators, including those just mentioned, placed it in the bottom fifth of all countries in 2015, the latest year for which data are available. Possibly not by chance, Egypt's ranking on these indicators, which was highest in 1996, the first year in which the World Bank published them, began to deteriorate noticeably after 2005—the same year in which earnings from gas exports began increasing rapidly (World Bank 2015). Civil society weakness thus both indicates and exacerbates the resource curse.

The economic consequences of poor policies for oil and gas, themselves due to governance shortcomings associated with weak civil society participation, are an obvious direct cost to the country. As noted, rough calculations showed that Egypt lost some USD 11 billion by exporting gas to Israel from 2007 at a heavily discounted price, the difference being pocketed by the joint Egyptian/Israeli former intelligence officer owners of the intermediary company, Eastern Mediterranean Gas. This loss amounted at a minimum to more than 1% annually of Egypt's GDP for the four years covered by the contract. Another substantial direct cost has been incurred because of electric power outages caused by fuel shortages that have severely disrupted not only daily life but production in many key industries. Fertilizer production, for example, declined by 70% due to energy shortages after 2013 (Kotb 2015).

The indirect costs of the inadequate policy-making infrastructure for oil and gas due in part to civil society weakness may be even more damaging than the substantial direct costs. The key operative mechanisms of the resource curse, like that of Dutch disease, afflict Egypt. Its perennially overvalued currency became even more so as a result of the gas boom after 2003. One obvious consequence of currency overvaluation was the deterioration of the tradable goods sector, as exports other than oil and gas lost competitiveness during the last decade of the Mubarak era. A more inclusive political order in which public policy debate might have served to legitimate even policies requiring economic sacrifices would have provided the grounds for greater exchange-rate flexibility, thereby militating against the Dutch disease. In the absence of such debate not only has there been no general understanding of the costs and benefits of devaluation or revaluation, but the value of the national

currency has been inappropriately viewed as a surrogate measure of regime popularity.

A second indirect cost concerns the rents siphoned out of the national economy into the hands of regime insiders and their cronies. The gas export deal with Israel is but one example of a broader phenomenon: others are kickbacks in contracting in the energy sector and differential pricing of domestic energy that benefits intensive industrial users. An active civil society capable of revealing rent-seeking behaviour in the energy sector would probably help to staunch its flow. That in turn would save the direct cause of funds lost to the state through corruption, while also reducing the indirect cost of poor macro- and micro-policies resulting from rent-seeking prevailing over rational economic calculations.

Other indirect costs of a deficient policy infrastructure partly due to the weakness of civil society include the undermining of Egypt's bargaining position vis-à-vis international oil and gas companies, as well as erratic policies. The Mubarak regime offered highly favourable terms to such companies, in order to lure them to Egypt and provide rents to sustain patronage. Had civil society been stronger, it is doubtful that such concessionary terms would have been offered. And now the Sisi regime, faced with energy shortfalls, has replicated the strategy, offering a range of new incentives to international oil and gas companies to re-engage with Egypt. A strong, well-informed and engaged civil society could help to ensure that contract terms meet international standards and that signing is not contingent on side payments. This in turn would also strengthen Egypt's bargaining position in oil and gas negotiations. The erratic history of gas production, which boomed for almost a decade after 2003 and then busted, has less to do with geology than with the poor policy context of gas-sector management. Overstatements of proven reserves by the Minister of Petroleum combined with refusal to reveal actual production figures and then reneging on contracts all contributed to erratic policy and the decline in production. Again, an engaged civil society could have forced greater transparency in information about reserves, production and domestic consumption, which in turn could have underpinned more predictable, stable policies.

Conclusions

The primary political cost of the imbalance between state and society in the making of energy policy is the reinforcement of that very imbalance. Oil and gas rents constitute a key currency with which the deep state buys loyalty and obedience. They thus play a vital role in reinforcing the limited access order over which the military presides. Civil society in Egypt pays the opportunity cost of being denied access to energy revenues, which constitute probably the single largest share of the country's productive economy. Having access to very little capital independent of the state and its networks, civil society lacks the material resources it needs for effective organization. Civil society also pays the opportunity cost associated with exclusion from the policy process for oil and gas. Unable to engage effectively in policy debate for these vital sectors, civil society is denied a learning opportunity relevant to public policy more generally. Exclusion from the energy arena, coupled with banishment to the periphery of economic policy-making, must also have an enervating effect on civil society, as its irrelevance, underscored by its absence from the oil and gas sector, is manifest to all.

In sum: state, society and energy in Egypt are caught up in a vicious circle that has profoundly negative impacts on the country's economy and polity, and from which it is not easy to see a way out.

Notes

1. On the relationship between information and economic development and the 'information-shy' Tunisian regime under President Ben Ali, see Henry (1998).
2. In April 2015, Minister for Investment, Ashraf Salman, announced that shares in three companies owned by these two hydrocarbon-holding companies would be listed on the Cairo stock exchange. Presumably the government's intent is to retain control of those companies while raising much-needed additional capital and possibly attracting investment from international oil and gas companies that would be accompanied with technology transfer. Of the three companies to be listed, only MIDOR, Middle East Oil Refinery Company, had a substantial value, possibly of

something around USD 1 billion. The joint value of the other two was estimated to be less than USD 30 million (Ahmed 2015).

3. Thanks to energy subsidies, these have been Egypt's most profitable companies and have operated virtually tax free. They contribute a small share of the paltry 5% of government revenues resulting from taxes on industry, commerce and capital gains. On the finances of these firms, see Adly (2014).
4. For an analysis of the failure to develop renewable energy resources, see Springborg (2016).
5. On the role of Mubarak-era private sector media outlets under Sisi, see Dunne (2015).
6. For an assessment of the differential impacts of subsidies and their removal, see Attalah (2014). As with other such assessments, evidence presented in this one indicates that upper middle classes receive a disproportionate share of fuel subsidies, along with energy-intensive industries, especially cement and fertilizer production. The chief benefit to the lower classes of subsidies comes in the form of bottled propane gas, which is the main cooking and heating fuel for them.
7. For a review of this debate, see Hassan (2013).

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8

Iraq: State, Society and the Evolution of the Petroleum Sector

Ibrahim Al-Marashi

Introduction

With the political chaos in post-Ba'athist Iraq, a new public sphere emerged in which a decentralized political process, an emerging civil society and pluralistic media allowed for greater debate about petroleum-sector management. This debate emerged while the state negotiated the arrival of new oil majors, leading to public discussion in Iraq invoking discourses of oil nationalism and the resource curse. The primary societal concern has been to develop a legislative framework to govern foreign investment in the petroleum sector and the distribution of hydrocarbon rents. Due to Iraq's history and complicated identity, the issues remain contentious.

This chapter is based on a study of the Iraqi media from 2004 to 2010, involving several research trips to Iraq to collect data. It was during this period that post-Ba'athist Iraq reorganized its petroleum sector and

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drafted legislation to permit investment by foreign companies. The data from this study allow analysis of the roles various actors play in influencing how petroleum resources and revenues are managed. Each media statement quoted serves as an example of broader attitudes towards the petroleum sector in Iraqi society, based on my fieldwork in Iraq and lecturing internationally on the subject.

Petroleum and Iraqi Society

Following the formation of the Iraqi republic in 1958, Iraq's identity was tied to the nationalization of the petroleum sector under Saddam Hussein. The opening up of the Iraqi petroleum sector to foreign investors after the US invasion and subsequent war in 2003 was accompanied by debate within Iraq about how to ensure that the nation should not relinquish its sovereignty as it had done during the decades of the 'Seven Sisters'—the international oil companies that dominated the global business for so long. While the structure of the Seven Sisters has changed in the twenty-first century, the Iraqi debate continues to use this term as a point of reference. Invoking the Seven Sisters symbolizes Iraq's determination never to return to the past, when the country lacked agency in managing its natural resources and could only watch its oil wealth benefit foreign corporations, while the UK and USA meddled in Iraqi affairs.

The second major component of the oil and gas debate in Iraq concerns the nature of the Iraqi state itself. Iraq is a rentier state, and Saddam Hussein's Ba'athist government forged the loyalty of segments of society by using oil revenues to fund a massive public sector, which became the largest employer of citizens in Iraq. Thus, revenues accrued from oil in the early 1970s facilitated the consolidation of Saddam Hussein's rule, as the public sector integrated the Iraqi middle class into the state, while simultaneously funding a coercive relationship between state and society. The windfall funds of the 1970s financed a massive and repressive security apparatus and the largest military in the region. In the Kurdish popular discourse, Iraq's oil wealth was seen as being used by Saddam Hussein to fund the military machine that was ultimately turned against the

Kurds during their decades-long revolt against the central government in Baghdad. To prevent this scenario from reoccurring, the Kurds have sought both a decentralized state and decentralized management of the hydrocarbon sector.

These two historical traumas—the opening up of the petroleum sector to foreign investors and the use of oil revenues to consolidate a coercive state apparatus—frame the debate on Iraq's management of the sector and affect all matters related to the Ministry of Oil, the Iraq National Oil Company (INOC), the distribution of oil revenues and any deals with international oil companies. While political actors contest control of this scarce resource, these elites also legitimize their influence on the sector within these two historical frames in order to mobilize their constituencies.

Elected politicians and political parties are the most influential actors in shaping the relationship between society and the petroleum sector in Iraq. Parliamentary elections strongly influence the composition of the country's political elite, and parliamentary debates receive intensive media coverage. The second most influential group is made up of Iraqi media organizations, many of them party organs, although some are independent. In sharp contrast to the past, the media debate in Iraq is robust and does have an impact on the management of petroleum resources—a situation unique among the rentier states of the Middle East. Religious organizations come third in this typology: they are powerful, but there is no single religious organization that represents all Iraqis. These three categories also overlap: Iraqi parties often operate as religious networks and control their own media empires and paramilitary forces. Foreign companies, the fourth group, must navigate among these myriad political actors, rather than being answerable to an autocratic, centralized monarchy or authoritarian government. Civil society in Iraq is still in its infancy, so trade unions, NGOs, academic institutions and influential individuals rank lower in this hierarchy. One of the most notorious non-state actors, the so-called Islamic State of Iraq and Syria (ISIS), has hindered Iraq's management of petroleum resources and revenues by targeting infrastructure in towns like Bayji and by conducting its own oil trade to finance its war against the Iraqi state.

Political Parties and Other Political Groupings

The post-2003 Iraqi electoral system is organized along parliamentary lines, with citizens voting for lists that represent the candidates of a party or a coalition of parties. From the first election in 2005 to the present, the main parties have been ethno-sectarian, competing with smaller parties running on non-sectarian tickets. The Iraqi government has been led by Shi'a Islamist parties and Kurdish ethno-nationalist groups that formerly constituted the Iraqi opposition to Saddam Hussein. The Arab Shi'a and Kurds have divided control of the country's most powerful ministries among their respective parties, with the Shi'a controlling the greatest number of ministries, including the Ministry of Oil.

Theoretically, the unicameral parliament, or Council of Representatives, represents the highest political entity in Iraq. In a TV interview in 2017, former Minister of Justice Malik Duhan al-Hasan stressed the primacy of this body, particularly as regards managing the petroleum sector:

> Article 49 of the Constitution states that the only entity that represents all of the Iraqi people is the Council of Representatives, directly elected by the public. Therefore, the Iraqi people are in possession of Iraq's oil, and the only entity that handles the people's property is the people's representatives, namely, the Council of Representatives.[1]

This statement highlights the parliament's mandate to deal with oil resources, but when it came to drafting Iraq's Hydrocarbons Law (or Oil and Gas Law) in 2007, there was tension between the parliamentary Oil and Gas Committee and the executive offices of the Prime Minister and the Ministry of Oil. When the Ministry sought to offer service contracts to international companies in 2008, ministers argued that these contracts did not need parliamentary oversight or approval. This tension was highlighted in a TV interview on the Al-Arabiya channel when Abd al-Hadi al-Hassani, Deputy Chairman of the Oil and Gas Committee, objected to how the Ministry of Oil sought to expedite oil service contracts without the approval of his Committee.[2]

Iraq's MPs have leveraged televised appearances to communicate to their constituencies that they will guarantee oversight of the petroleum sector. However, the MPs are by no means unified. The following section examines the three dominant ethno-sectarian blocs in the Iraqi parliament. Here it should be noted that belonging to the same sect or ethnicity does not predetermine consensus. The debate on the petroleum sector has at times pitted various Shi'a parties against each other, likewise for Kurdish parties. This highlights the intra-sectarian and intra-ethnic nature of politics in Iraq, alongside conflicts that are inter-sectarian and inter-ethnic. In petroleum-related matters, the country's political parties can broadly be classified into pro- and anti-federation alliances. The southern oilfields lie in predominantly Shi'a areas; in the north, they are in primarily Kurdish areas.

The Arab Shi'a Parties

The Shi'a parties are the most influential actors in Iraq by force of sheer demographics, as the Shi'a are the majority in the population. There is no dominant party representing the Shi'a in parliament. The prime minister is usually appointed from the Da'wa Party, but his position does not mean his party is necessarily the most powerful. In contrast to the Da'wa Party, the followers of Muqtada al-Sadr are loyal to the young Shi'a cleric, the son of a respected and charismatic Shi'a cleric who was assassinated in 1999 by Saddam Hussein. Al-Sadr is at the helm of a network of interlocking components, known as the Sadr Trend, which includes a party that runs for political office, a separate religious organization, a print and TV media empire, various NGOs and an armed militia. Al-Sadr's following derives mainly from the urban Shi'a poor, although he has sought to portray his movement as anti-American and Iraqi nationalist, transcending the sectarian divide.

Building on this platform, the overarching Sadrist line holds that Iraqi oil must be protected from US control. This sentiment has been expressed by Sadr Trend representative Shaykh Hasan al-Zarqani: 'Those controlling the oil are the political forces that are in agreement with the United States' (Abusalim 2008). Nassar al-Rubay'i, leader of the Sadr Trend in

the parliament, also presented the debate on the Hydrocarbons Law in these terms, asserting that delaying approval of the Law, rather than rushing it through, would be better, so as not to 'undermine Iraq's sovereignty'.[3]

By contrast, another Iraqi Shi'a party, the Islamic Supreme Council of Iraq (ISCI), has a working relationship with both Iran and the USA and has stressed the need to expedite approval of the Hydrocarbons Law: 'The ISCI stresses the need for devoting sufficient attention to the oil, gas, industrial, and petrochemical wealth'; further: 'In this regard, enacting the Oil and Gas Law and the regulations attached to it is considered a serious step in this direction' (ISCI 2008). There are numerous other Shi'a factions in parliament, and they have all advocated that a unitary, centralized state should be in charge of Iraq's oil wealth.

The Kurdish Parties

The proponents of federalism in Iraq are primarily the two Kurdish parties—the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). They argue that federalization will prevent Iraq's regions from ever again being dominated by a dictator like Saddam Hussein. Further, a federal structure would give the Kurds the autonomy to negotiate independent oil deals. Relations between the Kurdish Regional Government (KRG) and the Shi'a-dominated central government in Baghdad have been contentious as regards the institutional arrangements for distribution and allocation of oil revenues and the administration of Kirkuk and the surrounding oilfields. Tensions have been further heightened by the KRG's attempts to negotiate oil deals with international companies independently of the federal government.

The Hydrocarbons Law of 2007 sought to resolve this issue by setting out a distributive scheme for the country's oil resources. In the absence of such legislation, there had been robust public debate around diverging interpretations of the 2005 Constitution. For example, former Minister

of Justice al-Hasan, a proponent of central control over Iraq's oil, stated: 'Article 111 of the constitution is very clear. It says that oil and gas are the property of the Iraqi people in all regions and governorates … Therefore, it is impermissible for Kurdistan to issue an oil law.'[4] The influential former Oil Minister Dr Thamir al-Ghadban, who has been involved in Iraq's oil sector since the 1970s, has argued that Article 109 on the management of future exploration activities is vague on whether the central government or the KRG should have charged them and that it fails to mention future revenue distribution (*Al-Adala* 2006, 4–5). However, according to Mahmud Uthman, an MP from the KRG, since the Iraqi Constitution allows for a separate Ministry of Natural Resources in the KRG, such a body could enter into independent oil deals in accordance with the Constitution.[5]

The KRG, as a federal state of Iraq, has its own president, prime minister and parliament with its own Industry and Energy Committee (Ghamgin 2008). The Prime Minister of the KRG, Nechirvan Barzani (from the Kurdistan Democratic Party), admitted that the debate over the Hydrocarbons Law had continued unabated because of the division of jurisdiction between the KRG and Baghdad, in addition to societal concerns that the Law would give 'unprecedented advantages to foreign investors in establishing oil installations and refineries and investing them up to 50 years' (*Al-Sabah al-Jadid* 2008). Fears of foreign penetration and domination of this sector and of Kurdish autonomy in negotiating oil deals have been expressed by Arab Shi'as and Sunnis and are reflected in the parliamentary debates.

Arab Sunni Parties

The Sunni parties collectively would represent the third most influential political grouping, but there is no single cohesive organization to unite their interests. They share a common critique of Shi'a power and Kurdish separatist tendencies, and anti-Americanism in the aftermath of the fall of Saddam Hussein, as well as being critical of Iran's influence in Iraq. One of the first parties to represent Arab Sunnis in parliament was the

Tawafuq Front. They have followed the nationalist criticism of US and foreign companies dominating the petroleum industry and allowing the Kurds autonomy in managing oil—which they say belongs to the nation, not just the KRG. Rashid 'Azzawi, an MP from the Tawafuq Front, stated: 'The process of smuggling Kurdistan Region's crude oil to Iran has increased.' The daily newspaper *Aso*, published by the PUK, issued a denial of 'Azzawi's allegation (Ghamgin 2008).

Another Sunni party, the Arab Sunni Ahl al-Iraq Conference, publishes a weekly paper, *Al-I'tisam*, edited by Adnan al-Dulaymi. An editorial on the poor conditions in a hospital in a Sunni area stated 'Can you believe that such a thing is happening in a country with two great rivers, water springs and streams, and a huge wealth in oil?' (*Al-I'tisam* 2007, 7). Such complaints are widespread in Iraq and are not only a product of a perceived sectarian victimization. Rather they reflect general discontent with the paradox of the failure of basic services, like electricity and healthcare, despite the Iraq's vast oil wealth.

Insurgents and ISIS

The lack of security since 2003 has been a persistent hindrance to management of the petroleum sector. A new constellation of violent opposition groups emerged after 2003, collectively referred to as the 'Iraqi insurgents', which, unlike criminal gangs or mafias, have political agendas and loose affiliations or sympathy among Arab Sunni parties and tribes. The Iraqi government has attempted to protect oil pipelines and facilities from repeated sabotage attacks by these groups.

A parallel war economy has also emerged. Rather than destroying the oil infrastructure, some insurgents established a black-market cross-border trade in siphoned oil and soon fought amongst themselves for its control. The most salient case was that of Abu Musab al-Zarqawi, a Jordanian national who directed his own network of terrorists in Iraq after 2003, later declaring his allegiance to Osama bin Laden's al-Qaida (DiPaolo 2005, 171). His organization, known as al-Qaida in Iraq, had carved out its own self-declared Islamic State of Iraq in the Sunni Arab

areas in the central part of the country. One reason for turning against the Islamic State in Anbar Province in 2008 was that the terrorist group attempted to take control of black-market oil networks there (Moore and Parker 2007, 13). The terrorist group withdrew to Syria following the outbreak of civil war there and declared itself the Islamic State of Iraq and Syria, reinvading Iraq in the summer of 2014. ISIS has attempted to maintain control over Iraqi oil refineries and facilities, developing a form of petro-terrorism, managing an illicit rentier economy and selling its oil on the black market in Turkey—and to the Syrian government which it is supposedly dedicated to fighting.

Nevertheless, the Sunni insurgents, including ISIS, would rank a mere fourth among the political groups in terms of their influence over petroleum-sector management, as they have disrupted the infrastructure only in the areas in which they operate, generally in the centre of Iraq. Most of Iraq's oil is in the north and south, in the Kurdish and Shi'a heartlands, respectively, where the insurgents have never had a major base, although they have launched suicide attacks in both areas.

The Tribes

The tribes would rank fifth in influence among the political groupings in Iraq. While the tribes are social groups rather than political parties, they do field candidates to run in parliamentary elections, and some of the Iraqi tribes take part in political conflict, either combatting ISIS or joining it. The tribes live in the lands where pipelines are attacked or their members work in remote areas where petroleum facilities are based. The importance of these points was highlighted by the then Prime Minister Nouri al-Maliki in a speech to Wasit tribal chiefs in 2008: 'More than 300 attacks were carried out against the oil pipeline which carried oil from Kirkuk to the Bayji refineries.'[6] Citing this figure in a speech to chieftains served as an indication that armed tribes needed to do more to protect areas where the pipelines run but also as a deflection from his government, since pipeline attacks meant less oil for the domestic Iraqi market and for electric power generation.

Media

The emergence of a pluralistic private media sector in post-Ba'athist Iraq has served as a positive development, enabling Iraqi society to debate the management of the country's natural resources. However, most media are institutionally linked to the political parties, which often use their TV channels, radio stations and newspapers as rhetorical weapons to justify their aims and criticize rivals. Independent media with no ethno-sectarian affiliation do exist, but they lack access to the kind of funding that political parties can provide. Collectively the Iraqi media have criticized corruption, clientelism and patrimonialism in the various bureaucracies and Iraqi oil companies. Criticism has generally concerned transactions where there is a lack of transparency in business dealings, informal networks, nepotism or ethno-sectarian ties and a lack of contractual culture. The media have blamed the lack of progress in projects for reconstructing the nation's petroleum infrastructure on bribery and kickbacks prevalent in the ministries concerned.

The Al-Iraqiya media network consists of a state-funded TV channel, radio station and newspaper. It serves as a government vehicle for convincing audiences that all petroleum matters conducted by the Oil Ministry are implemented transparently, especially the negotiation of foreign oil deals. However, the TV channel also serves as a means for Iraqi citizens to complain when the state fails to provide oil for its own citizens. For instance, in a June 2008 episode of the show 'People Talk', Oil Minister Husayn al-Shahrastani addressed complaints about the scarcity and high price of oil, blaming the market, the government and IMF debt restructuring—but not the ministry itself.[7] In a subsequent video report on citizens' views on the domestic fuel crisis, the host asked al-Shahrastani, '[H]as the Oil Ministry managed to really alleviate the suffering of citizens?'[8] In this interview, the media served as a televised public sphere allowing interaction between the public and the ministry and highlighting a common perception among Iraqis: much attention is focused on the state's foreign oil deals, but the state needs to provide better access to oil for its own citizens.

The two parties that dominate the Kurdistan Regional Government, the KDP and PUK, operate their own satellite channels. Even the former Prime Minister al-Maliki has appeared on the Kurdish channels to present the central government's take on oil issues. Speaking on the KDP's Kurdistan Satellite TV in June 2008, he stressed that progress was being made on the Hydrocarbons Law.[9]

However, focusing solely on the Iraqi media fails to take into account the impact of transnational TV stations such as Al-Jazeera or Al-Arabiya, which are viewed by Iraqis and the entire region. While the Dubai-based Al-Arabiya channel is devoted to Arab regional news stories, it also features Iraq-focused programmes, like 'From Iraq'. Iraqi Planning Minister Ali Baban appeared on the programme to address issues of specific concern to Iraqis, such as oil smuggling. The presenter, Suhayr al-Qaysi, asked questions on behalf of the Iraqi people, expressing their concerns about the lack of transparency and their desire 'to ensure that contracts that are concluded do not entail squandering Iraqi resources'.[10]

Another pan-Arab satellite channel is Al-Alam, sponsored by the Islamic Republic of Iran. In a 2008 talk show dealing with financial corruption in Iraq, guests included Ali al-Fahdawi, an Iraqi law professor, and David Pollock, a political analyst based in Washington, DC. A heated debate ensued:

> [Pollock] I am sorry. Once again you have interrupted me. Are you going to allow me to continue or to act dictatorially in your episode?
>
> [Al-Fahdawi] My dear sir, parasites are used to living on sucking other people's blood. Iraq, as a people, government and territory, was not posing a threat to America or others. You came with your airplanes, your turmoil, your terrorism, your storms and you occupied a country. And now you are sucking its blood; you are stealing its oil.[11]

This episode shows a 'war-for-oil' framing of the debate that is common among the Iraqi public. In this instance, what is said in cafés or peoples' homes in Iraq was given a regional audience and specifically directed against a US participant in a televised debate.

Religious Organizations

As noted, religious organizations can be considered the third most influential societal group in petroleum-sector management in Iraq. The strongest movement is the following of the Najaf-based Grand Ayatollah Sistani, whose legitimacy is based on his status as the most senior Shi'a cleric in the country. The current Prime Minister Hayder Al-Abbadi came to power in 2014 partly as a result of calls from al-Sistani for his predecessor, Nuri al-Maliki, to step down, while also calling upon Iraq's leadership to tackle the corruption at the top that led to the failure of electricity services in Iraq in the summer of 2015.

While ICSI is a Shi'a party, with its own satellite channel, Al-Furat, and its own newspaper, *Al-'Adala*, it is also a religious organization with its own network of preachers. An example of the synergy among the party's media agencies was found in a 2008 Friday sermon by Shaykh Jalal al-Din al-Saghir of the Al-Rasul al-'Azam Mosque in Basra, broadcast live on the Al-Furat TV channel. The preacher used his sanctified position to make a proclamation on petroleum issues: 'We shall endorse the Oil and Gas Law and we were determined to endorse it, because we are determined to increase Iraq exports from the minimum level to six million barrels per day.'[12]

Veiled criticisms regarding oil also occur in Sunni Arab media. The Association of Muslim Scholars actively seeks to represent the Sunni Arabs. In a statement to Al-Jazeera, its leader, 'Abd al-Salam al-Kubaysi said, 'The ones stealing the oil are the militias that hide behind these authorities.'[13] His was a veiled critique of Shi'a militias in Basra, accusing them of smuggling oil under the protection of the government.

The media debates discussed above dealt with discourse amongst domestic Iraqi actors. Equally vitriolic discourse occurs when they accuse their domestic opponents of collusion with foreign oil companies.

Companies and Investors

The USA established the Coalition Provisional Authority (CPA) to administer Iraq immediately after the fall of Saddam Hussein. It sought to restructure what was a state-owned economy into a free market. CPA

Order 39 established full privatization in Iraq, with the goal of privatizing some 120 state-owned enterprises. However, even the USA realized that this order could not be allowed to affect the petroleum sector, as that would inflame Iraqi resource nationalism.

Sixteen foreign companies currently operate Iraq's major fields outside of the KRG: eight foreign national oil companies (NOCs) and eight international oil companies (IOCs). Some companies come from as far as Korea, China and Angola, but none affect Iraqi resource nationalism as much as the former 'Seven Sisters'. In his article 'Depletion and Looting of Iraqi Oil Wealth', Ahmad Aziz al-Baghdadi offered a litany of injustices imposed by these companies in the past: 'They monopolized the entire Iraqi territory and began to extract and exploit oil resources as if they were the real owners of the land.' He argued that the then Minister of Oil, al-Shahrastani, would allow the past to repeat itself (Al-Baghdadi 2006, 9).

In June 2008, an intense debate on how Iraq should regulate its relationship with foreign corporations took place on Al-Jazeera between Muhammad 'Ali Zayni, an Iraqi analyst at the World Energy Studies Centre in London, and Iraqi political analyst Dr Fadil al-Rubay'i. Al-Rubay'i insisted that any decision taken by Iraq relating to oil concessions was predetermined by the USA; mentioning six oil majors invited into Iraq that year, he stated: 'Iraq's wealth is now owned by the Americans.' Zayni retorted that those six companies had not been granted production sharing agreements (PSAs), but short-term technical support contracts (TSCs), thereby trying to allay fears: 'Nobody should be afraid of the impact of these contracts on the oil fields or wealth as these contracts benefit Iraq.' Al-Rubay'i disagreed: 'these contracts are not service contracts, but are actually production sharing agreements, which entitle foreign oil companies to be the real owners of the oil, while the Iraqis will become secondary partners.' Zayni repeated his contention that they were TSCs, adding that it was the KRG that had signed 20 PSAs, and they should have waited until after the Iraqi Hydrocarbons Law had been passed.[14] This debate is indicative of Iraqi fears, both over PSAs and over those loyal to the central government versus the KRG. The same type of debate has continued to the present.

Trade Unions, Think-Tanks, NGOs and Individual Citizens

Trade unions, think-tanks, NGOs and individual citizens form the final tier in the hierarchy of societal influence on petroleum-sector management. They are all part of a still-nascent Iraqi civil society, as yet lacking the influence wielded by the groups discussed above. In the process of rebuilding Iraqi civil society following the collapse of Ba'athist rule, Iraq's oil unions have served as one of the few institutions to have overcome Iraq's sectarian divide and have shown how workers and trade unions influence the national ideal of what it means to be an Iraqi.

While a wide array of civil society organizations emerged after 2003, the one with the greatest impact on petroleum-sector debates and policies is the London-based Iraq Energy Institute (IEI), which was established by Iraqi expatriates in January 2008. This institute regularly issues reports and briefings on Iraq's petroleum sector in Arabic and in English and hosts an Iraq Energy Forum that meets annually with the Iraqi parliament and oil corporations. In its capacity as a non-profit NGO, it serves in an official advisory role to the Iraqi parliament on issues related to the petroleum sector. To these conferences the IEI has also involved prominent Iraqi figures with long experience of involvement in Iraq's petroleum sector, such as former Oil Ministers Thamir al-Ghadban and Issam al-Chalabi.[15]

Conclusions

This chapter has focused on societal actors who influence the management of the petroleum sector in Iraq, the parameters of the national debate among these actors and the sensitive issues at stake. Determining the impact of these actors and their debates remains a daunting challenge because of the myriad of actors involved. In Iraq, public debate influences petroleum policy more than is the case in its neighbours in the Gulf Cooperation Council (GCC) or other rentier states, which tend to be controlled by authoritarian leaders with a strong state, and where public debate is suppressed or symbolic, and is sidelined by the political elite.

Iraq's process has become more diffuse, not by design, but by the accident of the chaotic political process that followed the US invasion of Iraq.

The new Iraqi state does factor in public debate and opinion, evidenced by the content of state-controlled media seeking to convince a sceptical public that oil matters are conducted in a transparent manner. The numerous appearances of the Minister of Oil in Iraqi and international media during the debate on the Hydrocarbons Law constituted a media campaign that indicated that both the state and its Ministry of Oil needed to address the public mood. Currents in Iraqi public opinion still believe that the 2003 US invasion was motivated by the desire to control Iraq's oil. The Iraqi state, particularly the Ministry of Oil, has engaged local and international media to convince Iraqi parties and citizens that other nations besides the USA are involved in developing Iraq's petroleum sector.

The debate on oil issues in Iraq has been characterized by quarrels and passions. Coverage is provided by the state channel, which televises parliamentary debates, in addition to an array of media, some with political-party affiliation and some independent. This debate represents a departure from Ba'athist era under Saddam Hussein, when all matters regarding the management of petroleum were opaque, hidden from the public and rarely discussed in the state-controlled media.

In the near future, Iraq's public debate on the management of the petroleum sector is likely to continue to influence political elites, given the decentralized nature of the state. This trend is unlikely to wane, judging by the protests in the summer of 2015, when people took to the street to criticize corruption in the ministries, particularly the Ministry of Electricity, which was responsible for prolonged blackouts during Iraq's intense summer heat. The protestors were not met with military force, and the Iraqi media reported on the protests from various perspectives, either denouncing them or siding with the protestors. These protests also showed the influence of a new set of actors, the Iraqi Shi'a militias, whose strength had grown exponentially after mobilizing to meet the military challenge of ISIS in the summer of 2014.

Prime Minister Haider Al-Abbadi has felt the pressure from these protests and from the religious seminaries in the Shi'a holy town of Najaf and has at least tried to reform the executive structures. However, these

reforms have been thwarted by entrenched elements within the government. The 2015 protests were concerned with (mis)management of the electricity sector—but more generally, the dynamics and structures in place are an indicator of the relative strength of Iraqi society vis-à-vis the state. The Iraqi state does not enjoy a monopoly of coercive force that could be used against public protests, or the ability to manipulate the media's narrative in its favour. And that indicates that the Iraqi public will continue to have the means at its disposal to influence petroleum policy in the future.

Notes

1. Al-Jazeera, 28 June 2008, 2017 GMT.
2. Al-Arabiya, 4 July 2008, 1630 GMT.
3. Al-Sharqiya, 17 July 2008, 1519 GMT.
4. Al-Jazeera, 28 June 2008, 2017 GMT.
5. Al-Arabiya, 17 July 2008, 1605 GMT.
6. Al-Iraqiya, 12 July 2008, 1404 GMT.
7. Al-Iraqiya, 30 June 2008, 1900 GMT.
8. Al-Iraqiya, 30 June 2008, 1900 GMT.
9. Kurdistan Satellite TV, 25 June 2008, 1130 GMT.
10. Al-Arabiya, 27 June 2008, 1625 GMT.
11. Al-Alam, 2 July 2008, 2000 GMT.
12. Al-Furat, 27 June 2008, 0913 GMT.
13. Al-Jazeera, 5 June 2006, 0712 GMT.
14. Al-Jazeera, 30 June 2008, 1830 GMT.
15. Interview with IEI director, Louay Khateeb, 3 March 2015.

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9

Kazakhstan: Civil Society and Natural Resource Policy in Kazakhstan

Roman Vakulchuk and Indra Overland

Introduction

In this chapter we discuss public debate on natural resource management in Kazakhstan and outline the roles of various players in shaping the debate. We find that civil society has had a limited role in the management of the petroleum sector, and public discussion of oil and gas issues has been driven mainly by the government and international organizations.

Kazakhstan possesses 3% of global oil reserves, placing it among the world's top 15 countries in terms of oil reserves. There are 172 known oilfields in Kazakhstan, the largest ones being Karachaganak, Kashagan and Tengiz. More than 80 of the oilfields are under development (Cohen

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2015). Unlike petro-states such as Nigeria or Turkmenistan, Kazakhstan ended up largely privatizing its energy sector, and foreign investors were given a free hand in the 1990s. Seeking to deal with the economic crisis brought on by the collapse of the Soviet Union, the government offered the country's main oilfields to international oil companies, through production-sharing agreements (PSAs) that were attractive to foreign investors but opaque to the Kazakh public (Udartsev 2004; Kennedy and Nurmakov 2010; Ahmadov et al. 2012; Tsalik 2003).

However, after the year 2000 the government changed its policy towards international oil companies. The government toughened the regulatory regime, strengthened the role of national companies and revised the energy legislation (Hosman 2009). Some contracts were renegotiated, opening the way for greater government take. Several scholars have explained these changes with reference to the growing resource nationalism in Kazakhstan during that period (e.g. Kennedy and Nurmakov 2010; Sarsenbayev 2011).

The main issues in the evolving public debate on natural resource management in Kazakhstan have been the distribution of oil income between resource-rich and other regions, the establishment of the National Fund of the Republic of Kazakhstan (NFRK) in the year 2000 and Kazakhstan's membership in the Extractive Industries Transparency Initiative (EITI) since 2005. The first attempts to question lack of transparency in natural resource management date back to the early 2000s and were made not only by the general public but also by international NGOs operating in Kazakhstan (KIPR 2015). Moreover, government representatives stressed the need to improve transparency in order to show that the country met international standards (*Kazpravda* 2004). Later on, civil society continued the debate in a more concerted, albeit limited, manner. The next sections review the roles that the various types of civil society actors have and have not played in the Kazakh context.

NGOs

As Wilson and Van Alstine (2014, 40) note, civil society in Kazakhstan is weakly developed, with only a few 'truly independent organisations'. Given the lack of free civic culture during Soviet times, Kazakhstan in the

1990s had little experience with NGOs. Instead it was international organizations that established and supported many NGOs during that period and became instrumental in the building of Kazakhstan's civil society (Diachenko 2007; Makhmutova and Akhmetova 2011; Overland 2005, 63). According to Luong and Weinthal (2010, 289), 'international NGOs have served as a conduit for raising awareness of the plight of local populations affected by negative externalities of oil and gas exploration and production' in resource-rich regions.

Since 2003, the international NGO Crude Accountability has been working with local people in the town of Berezovka in Kazakhstan, to raise general awareness of the environmental hazards related to the Karachaganak and Kashagan oilfields and demand compensation from the state (Crude Accountability 2003). The Aarhus Centre, supported by the Organization for Security and Co-operation in Europe (OSCE), has been present in Kazakhstan since 2001, also in oil-rich regions, working with the local authorities and the private sector on environmental issues. Eko-Mangistau, established in 2000, has been supported by various international donors.

Legislation aimed at regulating and supporting NGOs was adopted in the early 2000s. A law on non-commercial organizations was passed in 2001, and in 2002 the Concept of State Support for NGOs was adopted, setting out government support measures for the NGO sector. In 2004, several local NGOs formed the coalition 'Oil Revenues—Under Public Oversight' to monitor Kazakhstan's EITI membership. The motivation for joining EITI in 2005 was to boost government credibility by increasing transparency in the natural resource sector. The creation of the NGO coalition was one of the first major signs of emerging interest from civil society actors as regards the petroleum sector.

In 2007, Kazakhstan was granted EITI candidate status. A successful example of civil society influence on the government was the issuing of a decree in 2006 obliging natural resource companies to meet EITI requirements as a necessary condition for further contracts (NRGI 2013). Wilson and Van Alstine (2014, 41) opine that, on the whole, 'public awareness has grown along with the depth of engagement of NGOs in the EITI process'.

In 2009, the government applied for EITI-compliant status for the first time, but failed to obtain it due to objections from the NGO coalition. The NGOs regarded the progress made by the government (in particular, limited stakeholder representation) as insufficient for full membership, and this position was taken into account by the EITI Secretariat. In response, the government expanded the inclusion of stakeholders in the National Stakeholder Council (the multi-stakeholder management and oversight group set up for EITI) and invited more actors to join it (World Bank 2013).[1] Ospanova et al. (2013, 17) note the important role played by the coalition in the debate on petroleum sector management in Kazakhstan:

> [I]n discussions around EITI in Kazakhstan, proponents feel there should be more relevance to oil, gas and mining regions such as Atyrau, Aktau, Uralsk, Kyzylorda, Aktobe and Karaganda. This includes addressing issues such as how extractive industry-related funds are spent locally and how civil society, industry and government engage at the local level. Other important issues brought up repeatedly by the CSO [Civil Society Organization(s)] coalition and other stakeholders include: disaggregated reporting, transparency of social investments and wider participation in EITI of all extractive companies.

In 2013, Kazakhstan achieved EITI-compliant status, meaning that EITI recognized that the country had achieved progress in enhancing transparency. EITI reports on Kazakhstan include disclosure of social expenditure by companies and detail about the revenue channels that make up the national budget. Over the eight-year period of active cooperation among stakeholders under EITI, seven national reports disclosing revenues from the extraction of natural resources were released and made available to the public on the website of the National EITI Secretariat (EITI Kazakhstan 2016). The 2013 report included data from 170 companies—more than in any of the 35 other EITI-reporting countries (World Bank 2013).

However, the NGO coalition set up to engage with EITI in Kazakhstan proved unstable due to internal conflicts (EITI 2015). In 2013, after meeting the necessary EITI requirements and accomplishing its mission

of securing EITI-compliant status, the coalition ceased to be an active player. This exemplifies a more general point: many NGOs in Kazakhstan—with some exceptions, such as the NGO Eko-Mangistau—are ad hoc initiatives created to solve specific problems. Moreover, linkages between the general population and NGOs are generally weak: 'citizens are often only interested in civil society's work at particular, sporadic moments' (Makhmutova and Akhmetova 2011, 49). Most local NGOs have short lifespans; however, some active individuals and experts from disbanded NGOs stay committed and join new initiatives.

Kazakh citizens generally lack basic knowledge of EITI's purpose and institutions. Because there is limited feedback from the public, the EITI process mostly involves specialized NGOs, rarely drawing in the broader population. This is similar to many other EITI member states (Cater 2013, 74–75). In 2013, Svetlana Ushakova, a representative of the NGO coalition, noted: 'There are benefits. Disclosed data allows the experts from society [*eksperty ot obshestvennosti*] to analyse them' (Better.kz 2013). However, Oksana Martynyuk (EITI Kazakhstan 2013) has argued that members of the public have little awareness of EITI and its mission. According to a local newspaper article reposted by the Committee of Geology and Subsoil Use under the Ministry for Investment and Development of Kazakhstan:

> [D]espite increased transparency and the publication of EITI reports between 2005 and 2015, few Kazakhs know about these reports. Even if some do, they have little understanding of how to use the data in those reports and why they need them at all. (Ustinka.kz 2016)

Another significant transparency initiative in Kazakhstan also promoted by international organizations and NGOs is the Resource Governance Index (RGI), which ranks Kazakhstan 19 out of 58 resource-rich countries (NRGI 2013). The government provides only partial information on natural resource extraction and therefore scored no more than 58 out of 100 points. This is partly explained by the terms of contracts signed by the government and investors, which restrict the sharing of detailed information that might encourage active public participation.

Thus, civil society in general has limited experience participating in public and critical discussion of natural resource issues. Most of the transparency and public scrutiny initiatives in Kazakhstan's petroleum sector have been initiated by international NGOs.

Mass Media

Kazakhstan's position in the World Press Freedom Index in 2016 was 160 out of 180 countries, down from 154 in 2012. This indicates not only that freedom of expression is restricted but also that the situation is not improving (RSF 2015; Overland 2012). Most Kazakh mass media have applauded government initiatives in the petroleum sector, such as contract renegotiation with foreign oil companies, the introduction of the concept of Kazakh content, the 2010 Law on Subsoil Use, the creation of the NFRK and joining EITI.

The opposition media have occasionally voiced the need for strengthening civil society control over natural resource use and for greater transparency, accountability and management of the petroleum sector. Oil revenue distribution and the role of NFRK have been important topics discussed in these media. Peter Svoik, an expert and representative of the opposition party Azat, noted at a roundtable organized by Radio Azattyq (2010) that the transparency of oil production and revenues is limited and that they are 'legally intransparent' given the nature of the PSAs signed in the 1990s (cited in Radio Azattyq 2010). Oraz Jandosov, Director of the RAKURS Center for Economic Analysis, mentioned that 'we gathered one million signatures in 2003 to make all the oil and gas contracts transparent and publicly accessible. So far we have not heard back [from the government]' (Jandosov cited in Radio Azattyq 2010). According to Galib Yefendiyev, Regional Coordinator of the Revenue Watch Institute, the lack of clarity on the calculation of the share of revenue to be returned to the oil-producing regions is the main cause of social tension in these parts of the country (cited in Forbes.kz 2014).

Our impression is that the local population tends to take a pessimistic view of political opposition, seeing opposition voices as undermining

the country's stability. Similarly, Makhmutova and Akhmetova (2011, 49) argue that Kazakh citizens tend to take a sceptical view of civil society and NGOs. To understand the attitude of the Kazakh population, we must take into account the historical and geographical context: the painful unravelling of the Soviet industrial economy and the repeated revolutions and upheavals in other post-Soviet countries. Particularly salient has been the precedent set by neighbouring Kyrgyzstan, which is ethnically and linguistically closely related to Kazakhstan. Kyrgyzstan's two revolutions and one violent ethnic conflict during the post-Soviet period left the country poor and unstable and do not encourage emulation. Add to that the presence of conflict-ridden countries such as Afghanistan and Tajikistan in the neighbourhood, and the people of Kazakhstan have strong incentives for endorsing stability over other values. The two largest neighbours, China and Russia, set examples of how it is possible to achieve stability and economic growth with limited democracy, further reinforcing the impression that stability is more important than free speech (Overland et al. 2010, 93; Overland and Torjesen 2010, 136; Anker et al. 2010).

Think-Tanks and Research Institutes

Local think-tanks and research institutes in Kazakhstan have not influenced the public debate on a regular basis. There are two possible reasons for this. First, Kazakhstan lacks a tradition of drawing on the work of social scientists and experts to inform public debate. Second, in their reports, Kazakh researchers tend to provide mainly descriptive analysis of the petroleum industry, offering few insights on how governance of the sector could be improved. We should note, however, that their research is also hampered in the first place by lack of information from the government and oil companies operating in Kazakhstan. One example of this is the problems with data availability experienced by NRGI.

As there are not many Kazakh think-tanks, there is only limited independent expertise. Four main think-tanks review developments in the country's petroleum sector, but they do so only irregularly. The first one is

the Institute of Political Solutions (IPR), which existed in 2009–2013 and was then transformed into the analytical group KIPR. It occasionally organizes roundtable discussions on natural resource management and conducts opinion polls. A major roundtable expert discussion was held in 2015 and assessed the efficiency and transparency of the National Fund (see KIPR 2015). While the main local experts took part in the event, representatives of state agencies stayed away in spite of lengthy negotiations with the organizers.

A second important think-tank is the Kazakhstan Investment Profitability Research Agency (AIRI). One of the main topics in its reports is the resource curse. The director of AIRI, Kainar Kozhumov, has regularly stressed the need to diversify the economy away from oil (Kozhumov 2011).

A third relevant think-tank is the Public Policy Research Center (PPRC), headed by Meruert Makhmutova, who is often interviewed by the media and acts as a partner in international research projects. The PPRC is viewed as a credible research institute, with a focus on extractive industries, revenue transparency and NFRK (see, e.g. Makhmutova 2006).

A fourth think-tank is the research centre Sange. This think-tank lists on its website all the studies it conducted between 1999 and 2014 (Sange 2017): of a total of 125 studies, only four dealt with natural resource management. Whereas the government is one of the main funders of most of Sange's studies and reports, these four studies were funded by international donors—exemplifying how contributions to the public debate in Kazakhstan have been driven largely by international donors.

With the partial exception of the analytical group KIPR, the contributions of local think-tanks and research centres to the debate are largely donor-driven and feed public debate only sporadically. However, experts representing these think-tanks often appear in the media to comment on various issues related to the petroleum sector.

In many ways, international research organizations have been more active contributors to the debate than have local think-tanks. For instance, the Soros Foundation and the International Institute for Environment and Development (IIED) have studied the structure of

PSAs, governance and transparency in the oil and gas sector and actively collaborated with local researchers (see, e.g. Ahmadov et al. 2012; Ospanova et al. 2013; Ospanova and Cotula 2015). They have also held regular roundtable meetings and disseminated their findings (see, e.g. IIED 2012). The Soros Foundation in Kazakhstan has operated both as an NGO and a think-tank in Kazakhstan since 1995 and has organized research and capacity-building activities aimed at raising awareness about natural resource management (Wilson and Van Alstine 2014, 41).

These and other international NGOs have contributed to the public debate on natural resource management in Kazakhstan. While it is difficult to assess the real scope of their impact on the formation of public opinion, it is evident that they have provided important input for legislation and helped turn local think-tanks into emerging actors.

Political Parties and Trade Unions

One political party, Nur Otan, dominates the political agenda. It holds three quarters of the seats in the Parliament and mostly promotes official state policies on natural resource issues. Other parties hardly participate in the debate. In any case, the role of Parliament is limited. According to the Natural Resource Governance Institute, legislative oversight of petroleum sector management is limited, as 'the president maintains considerable power over the extractive sector' (NRGI 2013). Political parties are widely viewed as dysfunctional, and society remains convinced that they can hardly bring change (Isaacs 2011).

Also trade unions in Kazakhstan are weakly developed. Tripartite agreements are widespread, but real decision-making processes between the state, employers and trade unions take place elsewhere. State–civil society dialogues 'are often treated as a proforma instrument' by the state and carry little content (Makhmutova and Akhmetova 2011, 10). Since 1991, there have been serious labour conflicts in the following extractive companies: ArcelorMittal, Karazhanbasmunai, Kazakhmys, Kazchrome, KSP Steel, Petro Kazakhstan, Tengizchevroil and Uzenmunaigaz. The case of Zhanaozen stands out as one of the most critical in Kazakhstan's

post-Soviet period. When the local authorities failed to solve a labour dispute, this ultimately led to bloodshed and the killing of 16 workers in December 2011. A key factor in the conflict was the weak interaction and poor coordination between central and local government, between state authorities and trade unions in the petroleum sector, and the excessive use of force on the part of the authorities (Human Rights Watch 2012; General Prosecutor 2012).

Official trade unions have generally proven unable to resolve labour conflicts in the petroleum sector. Workers have little trust in trade unions and their ability to protect workers' rights (Satpayev and Umbetaliyeva 2015, 128). We must therefore conclude that the political parties and trade unions play only a minor role in the discourse on petroleum sector management in Kazakhstan.

International Organizations and Foreign Investors

The limited role of local civil society has been partly compensated for by Kazakhstan's exposure to international best practices through interaction with international organizations.[2] The government has relied on reform strategies proposed by these international organizations: for instance, the structural economic reforms of the 1990s were elaborated mainly by hired senior economists from the World Bank and the IMF. In their reports, international organizations have criticized the government for overdependence on natural resources and limited success in diversifying the economy away from oil (ADB 2013; IMF 2010).

International organizations have promoted liberal economic reforms, the adoption of best international practices, improved transparency in natural resource management, green economy and inclusive growth. The Kazakh government has often been keen to show its commitment, hoping to meet expectations so as to ensure continued access to capital and convey a positive international image for the country. The example of EITI is illustrative. After Kazakhstan was awarded EITI-compliant

status in 2013, the World Bank officially welcomed the country's new status and pledged to further support Kazakhstan's reforms (2013).[3] Other examples of international influences on Kazakhstan include the setting up of the NFRK drawing on the Norwegian model and the adoption of e-government based on the success stories of Estonia, Singapore and other Asian and Western countries. The introduction of e-government enhanced transparency in official communication between society, business and the government, as assessed by representatives of foreign petroleum companies operating in Kazakhstan (Vakulchuk 2016, 1190).

Like international organizations, international oil companies have played an active role in shaping and influencing natural resource management, though in a less visible way (Ostrowski 2010, 149), especially in the early 1990s. Interestingly, societal expectations towards the state are deemed to be low in Kazakhstan, whereas expectations towards foreign investors are high, especially in the oil-rich parts of the country (Luong and Weinthal 2010). The strengthening of the local content regime in 2010 further reinforced these expectations.

In Kazakhstan, the main point of contact between the government and the big international oil companies is the Foreign Investors' Council (FIC) established in 1998.[4] For the companies, FIC is an important platform for influencing oil and gas legislation. However, we have not found any indication that civil society representatives participate in FIC meetings. Moreover, the establishment of a main point of contact has been criticized as creating opportunities for corruption (Tsalik 2003, 138). Thus, the FIC may help to enhance communication between the government and international oil companies, but it contributes little to public transparency in Kazakhstan's petroleum sector and constitutes a missed opportunity for involving the broader public.

We see that international organizations have sometimes complemented, sometimes substituted for local civil society actors in Kazakhstan. Because local civil society has been passive, international organizations have in many cases initiated and advanced public debate on natural resource management (see also Fjaestad and Overland 2012).

NFRK

As the National Fund of the Republic of Kazakhstan (NFRK) is one of the topics that have been discussed most widely in the debate on natural resource management in Kazakhstan, it merits a detailed presentation here. In its reform processes, Kazakhstan has been trying to learn from the successful experiences of other countries (Tsalik 2003; Vakulchuk 2014). Table 9.1 shows examples of countries that have served as role models for Kazakhstan in various areas. The NFRK was established to improve petroleum revenue management and stabilize fiscal policy by drawing on the experiences of other sovereign wealth funds, especially the Norwegian Government Pension Fund (ESMAP 2006).

According to the IMF (2010, 20), the purpose of the NFRK 'is to reduce the economic impact of volatile oil prices and serve as a vehicle for saving part of Kazakhstan's oil income for future generations'. It is regulated by the National Bank of Kazakhstan on behalf of the government, with ultimate decision-making power held by President Nazarbayev. All the Fund's capital is invested abroad. Direct taxes from the oil sector (except for taxes going to local budgets) are the main source of NFRK assets (IMF 2010). The Fund's assets grew from USD 0.96 billion in 2001 to almost USD 65.5 billion in 2015 (Sovereign Wealth Center 2017).

Table 9.1 Kazakh institutions and sources of inspiration

Presidential system/Parliament	France
State and economic models	China, Hong Kong, Russia, Singapore, South Korea, Taiwan, Turkey, United Arab Emirates
Public administration	EU model, Singapore
Tax system	South Korea, the USA
Pension system	Chile
Sovereign wealth fund	Japan, Norway, Singapore
Construction and infrastructure	Finland, Malaysia, United Arab Emirates
Innovation policy	Finland
Banking and finance industry	Arab countries, Germany
Education	Finland, Germany, South Korea, the USA
Agriculture	Russia, the USA

Source: Vakulchuk 2014, 181

From the outset, the Fund has not been fully transparent (Tsalik 2003). According to ESMAP (2006, 88):

> [T]he lack of full transparency for the fund prevents informed public discussion on its performance and use. The partial and occasional release of data on the size of the fund through the Kazakhstan News Bulletin and the summary of the audit and annual report give some information on its workings, but the lack of detail and regular publication is in sharp contrast to the situation for other oil funds.

A 2010 survey conducted by the Central Asian Fund for Democracy Development revealed that 63% of the population believed that the Fund's reserves were used inefficiently and 58% felt that data accessibility was a major issue. Only 10% of those surveyed were satisfied with the information provided by state agencies on the Fund's operations (Satpayev and Umbetaliyeva 2015, 124). On the Linaburg-Maduell Transparency Index of sovereign wealth funds (SWFI 2012), NFRK is ranked low, scoring only two out of ten points. According to Erlan Smailov (KIPR 2015), who heads the think-tank KIPR, 'there is an information and responsibility deficit when it comes to the fund's activity and operations'. According to Bayan Shapagatova, a local consultant who worked for more than ten years at the National Bank of Kazakhstan:

> By comparison, the Kuwait National Fund has five members in the Board of Directors and three of them represent the private sector. Six out of nine members of the Board at the South Korean sovereign wealth fund also represent the private sector. In our situation, the commission that controls the fund's management consists only of state sector representatives. There is a conflict of interests and no independent expertise. We need to include more representatives of the private sector in it. This should push for more transparency. (KIPR 2015)

Svetlana Ushakova, another participant in the expert discussion organized by KIPR (2015), pointed out that the current concept of the NFRK does not include civil society representatives. And yet, despite substantial transparency gaps, the fund remains an important instrument for the government to uphold stability in the country. For example, during the

economic crisis of 2008, the government used NFRK assets to save those parts of the economy that were hardest hit: the financial sector and real estate market. This served to pre-empt potential social unrest and bolstered public support for government policy and the Fund (Kemme 2012; Inform.kz 2016).

Conclusions

The scope of the public debate and its impact on decision-making in natural resource management on Kazakhstan remains limited. It is shaped largely by a narrow circle of experts and NGOs, with most initiatives supported and promoted by international organizations. The contributors to policymaking on natural resources in Kazakhstan, ranked by their role in the public debate, are as follows: (1) the state, (2) international organizations, (3) foreign investors, (4) NGOs, (5) think-tanks and research institutes, (6) mass media and (7) political parties and trade unions.

Civil society has had little role in the management of natural resources in Kazakhstan. It has remained stunted, with scant experience in promoting its interests vis-à-vis the state. Public discussion of natural resource issues has been largely government-driven. Most government actions are tacitly accepted by society. The fact that Kazakhstan made a notable step forwards, from having a collapsed economy in the 1990s to becoming an emerging regional economic player with improved social and economic performance in the 2000s, helped legitimize the opacity of government policy on natural resource issues. As long as natural resource management seems effective in economic and social terms, it is supported by the broader public, which puts a premium on stability. On the other hand, as argued by Satpayev and Umbetaliyeva (2015), since 2010 the population has become increasingly willing to question existing natural resource governance arrangements.

Kazakhstan's exposure to international sources of influence, coupled with the activities of international organizations and donors, has served as a partial substitute for weak civil society. They have motivated the government to adopt best practices in natural resource management and

have contributed greatly to the establishment of the semblance of an NGO sector. They have triggered some debate on critical issues of petroleum sector governance. Driven by the desire to boost its international reputation, the government has refrained from hindering international NGOs from entering and operating in the country.

The contrast between Kazakhstan and another Turkic, Central Asian country—Turkmenistan—is worth noting. Whereas both score low on international indices of democracy, free speech and corruption, Kazakhstan has managed to maintain significantly higher standards in its natural resource management. One important difference between the two countries and their natural resource management is that Kazakhstan has shown far greater openness to the influence of other countries and international organizations.

Notes

1. More government representatives, MPs, oil and mining companies, including Kazenergy (the association for oil and gas producers and service providers for the energy sector in Kazakhstan) and the Association of Mining Producers, were invited, as well as NGOs.
2. International organizations active in Kazakhstan include the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Extractive Industries Transparency Initiative (EITI), the International Finance Corporation (IFC), the International Institute for Environment and Development (IIED), the International Monetary Fund (IMF), the Kazakhstan Revenue Watch (KRW) programme organized by the Soros Foundation-Kazakhstan, the Organisation for Economic Co-operation and Development (OECD), the Organization for Security and Co-operation in Europe (OSCE), the World Bank, numerous UN agencies, and others.
3. As Sebnem Akkaya, World Bank Country Manager for Kazakhstan, has noted: 'Our interest in EITI is part of our overall governance strategy, and in many countries, including Kazakhstan, the Bank works with governments on the EITI agenda as part of broader Bank-supported programs on extractive industries reform, natural resource management, and good governance/anti-corruption' (cited in World Bank 2013).

4. Only a few developing petro-states have managed to establish petroleum associations that actually do lobbying—and Kazakhstan is one of them (Luong and Weinthal 2010, 211; Vakulchuk 2014, 195).

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10

Libya: Oil and the Discontents of Emerging Civil Society

Ebtissam El Kailani-Chariat

Introduction

The modern history of Libya as an independent sovereign state, as well as its legal structure and institutions, took shape in the late 1940s and the 1950s. The political, social and economic development of the new state was strongly linked to the growth of its petroleum industry. Petroleum exploration in Libya began in 1955. In 1959, the first oilfields were discovered at Amal and Zelten in the Sirte Basin, in the southeastern part of the country. Many international oil companies (IOCs), including companies from the Europe and the United States, were granted licences to explore and drill. Right after oil production began in 1961, Libya accounted for around 16% of total OPEC production. Libya also has reserves of natural gas and gypsum, but its economy depends principally on oil, which represents over 95% of export earnings. The petroleum sector accounts for approximately 60% of the country's total GDP. The substantial revenues

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from the petroleum sector, relative to its small population, give Libya one of the highest per capita GDPs in Africa (OPEC 2015).

Since its foundation on 24 December 1951, the Libyan state has passed through three distinct phases. The first phase began with independence from Italy and the creation of a federal monarchy. The Kingdom of Libya was composed of three provinces: Cyrenaica in the east, Fezzan in the southwest and Tripolitania in the northwest. The second phase was the 42 years of totalitarian rule under Colonel Gaddafi, from September 1969 to February 2011. Finally, the current transitional phase followed the fall of the Gaddafi regime and the subsequent collapse of state institutions with the 2011 uprising. The interaction between the state, the petroleum industry and civil society has remained conflictual throughout all three phases. However, various stakeholders, including civil society's tribal representatives, local communities and foreign oil companies, have played different roles in influencing the petroleum sector during the three phases of Libya's modern history, and the level of public debate around petroleum sector management has also varied.

Seeking to determine how civil society and different non-governmental actors influence the way in which the petroleum sector is managed in Libya, this chapter explores how and to what extent society has influenced petroleum sector management during each of the three stages of Libyan history.

First Phase: Post-independence (1951–1969)

Politically and socially, this period of Libya's history was the most stable—internally, regionally and internationally. This period can be divided into two phases: the emergence of the state and its legal system prior to petroleum production and the production stage and unification of national petroleum policy.

The Emergence of the State

Petroleum exploration started in the eastern province of Cyrenaica some time before Libyan independence. A few international companies, among

them BP and Shell, were granted limited licences for exploration, without exploitation rights, from the British military authority in Cyrenaica following a ruling by King El Sanousi (Al-Qasem 1985). At that time, Libyan society was still highly tribal, and tribal representatives shaped the rules that governed society in political, legal and economic matters, including natural resource management.

After achieving independence in December 1951, the new Libyan state was careful not to grant permission to any foreign companies before it had drafted a new Petroleum Law and established the legal framework governing its relationships with international partners. However, Libya at that time was heavily dependent on foreign financial aid, on subsidies from neighbouring Arab states and other foreign countries and on the rents paid by British and US military bases. Therefore, the state was keen to exploit its natural resources and to offer the best incentives to attract foreign oil companies in order to benefit from their knowledge and, importantly, their financial resources.

The Libyan government appointed an independent Petroleum Commission in 1953 to draft the legal framework for petroleum regulation, with Anis Al-Qasem, a Palestinian legal expert, as chairman. The Petroleum Commission was to hold negotiations between the Ministry of Finance, foreign experts working closely with the Libyan government to build its legal system and foreign companies already based in Libya, in order to agree on a draft Petroleum Law that would reflect and address the economic, social and commercial concerns of all stakeholders. The involvement of oil companies in the drafting of the law appeared to bode well for an ongoing constructive relationship between the government and the oil companies. The Petroleum Commission held several separate meetings with a wide range of stakeholders throughout 1954 to discuss issues such as the time-limits for exploration permits, taxation and financial arrangements, ownership of petroleum resources in situ and the distribution of petroleum revenues.

A main concern of the foreign companies operating in Libya at that time was the absence of a unified national policy for petroleum sector management, including its financial aspects. During that period, which was marked by liberation and decolonization, the national and regional governments focused on obtaining full ownership of natural resources in order to control and maximize revenues and enforce independence. The

tribal representatives from the three provinces, particularly Cyrenaica, took a cautious stance and sought to monitor petroleum operations and retain regulatory and administrative power over petroleum revenues (Khadduri 1968).

In contrast to what the foreign companies wanted, Articles 36 to 39 of the 1951 Constitution, which had been negotiated and drafted 2 years before Libyan independence, left it to each province to organize and regulate issues related to management of its petroleum sector and internal revenue control. Article 38 stated that subsoil resources were to be managed jointly by the provincial and central authorities, which enabled each province individually to implement legislation passed by the national parliament (Khadduri 1968). Moreover, Articles 172 and 174 of the Constitution obliged the federal government to enable the provinces to discharge their regional obligations by allocating sufficient funds from its own budget. Most of the income-generating mechanisms, including petroleum taxes and income tax, fell within the executive competence of the provinces, so most of the state revenues were bound to go to the provinces (Al-Qasem 1985).

Representatives of Libya's regional tribes, especially those from Cyrenaica, formulated and presented to the Petroleum Commission their demands, in practical and precise terms, for a decentralized fiscal regime whereby the regional governments would keep their share of oil revenue. However, the regional representatives at that time were not sufficiently knowledgeable about basic issues such as transparency, environmental concerns and corporate social responsibility, which have become basic concerns of civil society in the post-Gaddafi era and part of its conflict with the national government as well as with foreign companies.

The Production Stage and the Unification of National Petroleum Policy

Libya's Petroleum Law was enacted on 21 April 1955. Although amendments were made after oil production began, its basic structure has remained unchanged to the present day. The Petroleum Law was the first

piece of legislation on organizing the petroleum industry in the Middle East and North Africa. After the beginning of petroleum exploration in 1955, foreign companies continued negotiating with the Petroleum Commission and the federal government as they sought to unify the national petroleum policy and contracting conditions. As a result of long negotiations between the Petroleum Commission, tribal representatives and foreign oil companies, the Petroleum Law contained several unusual features, like special incentives and tax exemptions for exploration activity and the first few years of extraction. These facilitated the development of a competitive and prosperous oil industry in Libya throughout the 1950s and the 1960s. In response to requests made by certain tribes, the Petroleum Law limited the size of concessions, so that no individual company or consortium of companies could lay claim to a large area. The Petroleum Law also allowed the state to require companies to relinquish a considerable part of each concession after a very short period, thereby preventing them from laying claim to areas and then failing either to explore or to produce oil at a level which suited the government.

However, the Petroleum Law did not address the problem related to Articles 36 to 39 and 172 to 174 of the 1951 Constitution, concerning the right of the provinces to own and manage their natural resource revenues jointly with the federal government. The difficulties encountered during implementation of the Petroleum Law were twofold. The first was how to share executive power over petroleum between the federal government and the three provinces while maintaining a consistent national policy over petroleum sector management and revenue distribution, as required by the provisions of the national Constitution provisions and by foreign companies. The second difficulty concerned the interpretation of the federal government's power of supervision granted under the Constitution: how to balance the federal government's management authority over natural resources against the regional executive's power and oversight powers over resource revenue distribution.

As Al-Qasem (1985) argued, these problems were not only legal but also had a political dimension. The federal government was keen to enter into substantial engagements with foreign companies for exploration and production, so that it could generate income to secure and enforce its

independence. However, the federal government was also aware of the social and economic sensitivities raised during the creation of the new state, particularly the fact that most petroleum resources were concentrated in one of its three provinces, Cyrenaica.

As a first step following the entry into force of the Petroleum Law, the government reformed the Petroleum Commission. The reformed commission was made up of members of the federal government, finance ministry and representatives from the three provinces. The commission was authorized to deal with, and provide advice to the federal government on, all petroleum issues and concessionary matters. The Petroleum Commission continued to operate until 1963 when, following pressure from oil companies and with the agreement of Fezzan and Tripoli provinces, important constitutional amendments were made. Articles 36 to 39 and 173 to 175 of the Constitution, relating to the rights of the provinces to manage their own resources, were removed by Law No 1 of 1963, which abolished the federal system of resource management. Law No 6 of 1963 later abolished the Petroleum Commission itself and granted all oversight powers regarding the management of petroleum revenues to the Minister of Finance. Historians, activists and political groups from Cyrenaica claimed that gaining control of petroleum wealth was the sole motive behind the dissolution of the federal system and the adoption of a centralized system.

Second Phase: The Gaddafi Era (1969–2011)

The second phase of modern Libya's evolution was from 1969 to 2011 after the army, led by Colonel Muammar Gaddafi, turned against King Idris Sanousi. These four decades were characterized by a closed regime and government institutions, and civil society and other non-governmental stakeholders lost all influence on the management of the oil and gas sector. However, here it should be noted that the Gaddafi regime realized very early on that petroleum resources were a source of power in international and regional relations, and Gaddafi therefore sought to maintain a certain level of legal stability for investments in the petroleum sector.

The Gaddafi regime turned Libya from a monarchy into a republic, influenced by the Nasserist movement in the Arab world, which in turn

was inspired by the thinking of Gamal Abdel Nasser, one of the leaders of the 1952 Egyptian revolution and Egypt's second president. From the early 1970s, Libya was no longer dependent on foreign subsidies in its economic and political affairs. It became one of the oil-rich countries in the region seeking to play a more influential role in international affairs. The army quickly established the Revolutionary Command Council (RCC), headed by Colonel Gaddafi, who monopolized legislative and executive authority in the country by suspending the 1951 Constitution and replacing it with exceptional provisions. Libya's leaders were influenced by regional and international factors which changed national industrial policies and foreign relations with the West, including the concept of 'Arab Nationalism' supported by the Nasserist movement at the time and the post-decolonization New International Economic Order (NIEO), as well as the founding of OPEC in 1960.

These factors brought radical change to Libyan social, political and economic development in general and to the petroleum industry in particular. With power centralized within the RCC, the political system became closed and repressive, and political parties, tribes and civil society were prevented from playing any role. Moreover, to tighten control over public opinion, between 1973 and 1976 the RCC shut down all independent newspapers, publishers and media channels and arrested political opponents, civil society activists and dissenting intellectuals and journalists. Public and private freedoms and public debate were severely restricted, and political detention without trial or before special RCC courts became commonplace.

The Gaddafi regime also brought about political changes by centralizing executive authority in one city and therefore within one province. This was accomplished in 1970 by making Tripoli in the west of Libya the political and economic capital of the country and abrogating the status of Benghazi in Cyrenaica as the economic capital, as granted by the Constitution of 1969. At that time, Benghazi was home to such as the Libyan national oil company, the National Oil Corporation (NOC), the Central Bank and the Libyan airline and had acted as the economic focal point of the country. This ignited feelings of anger and injustice in Cyrenaica over the course of Gaddafi's 42-year regime and was a major cause for the 2011 uprising, which started in Benghazi.

Petroleum Industry

The Libyan state has always played a dual role in managing relations with the petroleum industry: making sure to attract foreign investment while maintaining full control over petroleum revenues. The move by the RCC in the 1970s to nationalize private foreign investments and confiscate private property included all foreign-owned petroleum assets. The RCC nationalized most existing petroleum concessions and offered foreign oil companies participation agreements, later changed to the now-famous Exploration and Production Sharing Agreements (EPSAs). Further, the state, through the National Oil Corporation (NOC) and its affiliates, now had more oversight powers and greater participation in exploration and production, as well as a larger share of the profits.

NOC was, and has remained, the first party in all oil investment contracts and the only body authorized to administer the petroleum sector and function as a national petroleum operator, alone or with a foreign party. However, petroleum revenues were administered directly by the RCC through the Central Bank. The state had sought to provide transparent management processes and to respect the existing legislative framework for licensing protocols, exploration and production with foreign investors—but did not always follow that approach in its relationships with Libyan non-governmental stakeholders. Moreover, while Libya's commercial, corporate and anti-corruption laws contained strict provisions regarding accountability and transparency, and imposed penalties for corruption, all state authority was centralized in Gaddafi's hands. In practice, that meant that accountability and transparency were defined by how faithful and transparent the Libyan people were towards their leader.

Third Phase: After the 2011 Uprising

February 2016 marked the fourth year after the Libyan uprising of 2011 and the collapse of what had been one of the most totalitarian regimes of the twentieth century. State institutions such as the police, army and judiciary had also fallen. In the absence of state institutions, weapons

proliferated among non-state actors. A series of rapid and ill-timed national elections failed to deliver social harmony or stop the armed conflicts, likewise the various authorities—such as the national parliament representing Cyrenaica and eastern Libya, the national Congress located in Tripoli in the west and representing the Alliance of Muslim political groups, and the Government of National Accord supported by the UN mission to Libya and some Western countries—fighting for social and legal legitimacy, who have shared the power on the ground with illegal armed groups. In fact, none of these authorities has had absolute power within the community, or absolute independence within Libyan territory, and none could claim a monopoly of power as a legal entity under international law.

All actors involved in Libyan politics understood from an early stage in the conflict that petroleum resources would be a significant weapon in their battle. Since 2011 the state has suffered from frequent attacks on oil and gas facilities, strikes from oil workers and protests by local communities near petroleum fields, as well as attacks from armed groups and militias trying to wrest resources from the emergent central government (International Crisis Group 2015).

Between February 2011 and the beginning of 2014, before armed conflict became widespread, Libya had been characterized by the development of political, cultural and social life and the growth of freedom of expression as well as the mobilization of civil society. However, ever since early 2014, armed conflict has dominated the Libyan scene, with widespread civil unrest, systematic violence and chaos. At the centre of this conflict is control over the country's petroleum revenues.

The Conflict

The era of conflict began one year after the uprising in February 2011 and the subsequent Constitutional Declaration in August 2011. Despite the armed conflict that accompanied the 2011 uprising and despite the collapse of state security institutions, violence was not widespread initially. On the contrary, these years witnessed a strengthening of freedom and rights for the population. A remarkable number of civil society

organizations emerged across the country, as well as private media channels and instruments that offered platforms for debate on various topics, including the management of natural resources and the revenues. On the other hand, these social changes were not associated with any changes in legislation; the former regime's arbitrary legal structures regulating public life and civil society remained in place. Four main types of actors emerged, here ranked from the most influential to the least influential since the post-uprising of 2011 armed groups (most influential), local communities including regional groups, political parties and lastly NGOs.

Because of the violent response by Gaddafi's forces to demonstrations at the beginning of the uprising, many young people in rebel cities started to carry weapons and enlisted in the militias fighting the Gaddafi regime. As the new emerging state has not yet found an effective way to integrate these militias into legal institutions or civil society, they still form a significant force of pressure on the government and on political and economic life in Libya. The weakness of the state institutions and the ongoing political conflict between the various regions and cities has strengthened the militias. However, in addition to ideological motivations, petroleum resources (including oilfields) have remained a central issue in the armed conflicts between the power-seeking militias.

Here we should note the dominance of the Libyan Petroleum Facilities Guard (PFG) under Ibrahim Al Jathran in the east of Libya, home to some of the largest and most important ports and oilfields in the country, since the beginning of 2013. This dominance was allegedly intended to protect petroleum institutions against the financial corruption prevalent in NOC. The PFG entered into armed and political conflicts with the multiple transitional governments from 2012 and passed through several rounds of negotiations with national and international political bodies, including the UN representative to Libya, Martin Kobler. Those negotiations led to several payments being made to unblock the oilfields and the port, although NOC and civil society criticized the negotiations as being a method of legalizing and encouraging militia actions. The blockade was removed when the 'eastern government' led by General Khalifa Haftar managed to take control of all oilfields and ports in the east of Libya in September 2016. Since 2013, the blockade had cost Libya more than one

million barrels of oil per day. NOC has now recovered administration of the port and petroleum field and facilities—but the damage has been done.

Another example of militia interference in petroleum activities in Libya in the post-Gaddafi era concerns the second largest oilfield, Alfa, some 200 km west of Tripoli, where the Italian oil operator Eni has its biggest investment in Libya and North Africa. Ethnic militias from the Libyan Amazigh, a Berber group, have been blocking the field since 2012, demanding more representation, access to government and constitutional guarantees within the constitutional drafting process which started in mid-2012.

Divisions among the provinces which existed before 1969 have now come to the fore. Provincial groups, especially in the east, have been claiming greater independence and self-governance, particularly concerning natural resource administration and revenue management. Since the beginning of the uprising in 2011, political groups from Cyrenaica have been organizing demonstrations in all the eastern towns and cities, demanding the restoration of the federal model established by the 1955 Constitution.

The Libyan Federal Foundation is headed by a member of the Libyan royal family, Ahmed Al-Zubair al-Senussi, who spent 32 years as a political prisoner during the Gaddafi regime and was awarded the Sakharov Human Rights award by the European Parliament in 2011. The Libyan Federal Foundation has urged the revival of the 1951 constitution, including the devolution of administrative, financial and resource management functions as well as the return of NOC and other state political and economic institutions to eastern Libya, where they had been based prior to 1969. These claims have found resonance throughout Cyrenaica, with tribes providing financial, logistic and human resources to Khalifa Haftar—a former Gaddafi army leader who reformed the Libyan army and commanded the war against the Islamic militias in Tripoli and Misrata, the two largest cities in western Libya. Haftar's army and the eastern tribes seized control of the entire Cyrenaica region in September 2016, including the oilfields and ports which represent some 70% of Libya's petroleum resources.

Most cities except for Tripoli and Benghazi are home to members of one or several tribes structured in communities. Local communities have

tried to raise their own concerns and improve conditions by speaking to the media and conducting demonstrations. A clear example is the city of Jallo, located in the centre of Libya's largest exploration blocks. The Jallo community claimed that they were suffering from environmental problems because of oil waste and poor infrastructure. Individuals, the city council and activists worked together with international NGOs and experts, examining material on similar regional and international experiences in order to bring action against the government and its commercial partners for damage to the community caused by the petroleum industry. Numerous voices from other local communities in oil-producing areas have called for greater participation through the recruitment of locals to the NOC, its companies and branches, and for part of the petroleum revenues to be allocated to infrastructure development.

Three other examples of local communities protesting about petroleum resource production and revenue management:

- Fighters wounded in the 2011 conflict blocked the oil refinery in their city, El-Zawia, 60 km west of Tripoli in November 2012, demanding medical care.
- In 2012, 2013 and 2014, members of the Tebu tribe (one of the three main minority groups) demonstrated at the oilfield in the Ubari region to demand jobs and their recognition and civil rights.
- In the northwest, militias attacked the Amazigh (Berber) Melita oil and gas facility in October 2013, demanding guarantees regarding their languages and culture from the constitutional commissions.

Immediately after the fall of the Gaddafi regime, hundreds of political parties appeared, with the most effective ones forming three key alliances. The first is the alliance between the Islamist parties; it has received support from armed militias on the ground and dominates the powerful city of Misrata in western Libya. The main actors in the Islamic alliance are from, on the one side, the 'Libyan Fighting Group', the al-Qaeda branch in Libya, headed by Abdul Hakim Belhadj a former political prisoner, and from the other side, the Libyan Muslim brotherhood, headed by the godfather Ali El Sallabi, from the Qatar-based Muslim Brotherhood (Burr 2014) or the party president Bashir Kabti (Fitzgerald 2012).

Spiritually and intellectually, this alliance follows the Libyan Mufti El Sadiq Al-Ghariani, a controversial figure who, despite having no legitimate authority, is viewed as a spiritual leader by the followers of the Islamic movement in Libya and is the official driver of the armed conflicts in which this alliance has been involved.

The second alliance of political parties is the Federal Alliance, which was established in eastern Libya at the beginning of the Libyan uprising in February 2011 and which enjoys considerable support from the tribes and cities in Cyrenaica. The third is the alliance of liberal parties, which had initially received considerable support from Libyan businesspeople and various social groups, but which gradually lost support due to a lack of vision and strategy.

The three political alliances have been struggling over the question of NOC's management and have tried hard to change the legal and contractual system governing petroleum investments. These alliances were the main actors in the elections of 2012 and 2014—the same elections that led to the country being divided into two parts, east and west, with two legislative and executive authorities, including two 'National Oil Companies'. At the centre of this war was control over the main petroleum fields in the central eastern part of Libya. As noted above, the war was ultimately won by the eastern government army headed by General Khalifa Haftar in September 2016.

Noteworthy, though less influential, actors in Libya's post-2011 era have been the NGOs and activists. Relevant NGOs have included the Libyan Transparency Association, environmentalist groups, legal NGOs like Lawyers for Justice in Libya (2014) and various foreign organizations, including Revenue Watch International. These organizations were the first to raise corruption issues and demand greater transparency from the government. They also opened a broad and inclusive public dialogue among various social and political groups in order to establish popular consensus on constitutional formulations concerning natural resources and revenue management. A remarkable example is the Libya Transparency Association, founded by the economic activist Mohamed Bougagis, which launched a short but intense battle against corruption in the petroleum and financial sector. His campaigning cost him his life: he was murdered on 29 October 2016, in one of a series of assassinations of judges,

lawyers, journalists and human rights activists in Benghazi since the beginning of 2013.

The Constitution-Building Debate

Following the uprising in 2011, the centralized executive and legislative authorities previously embodied by Gaddafi were first transformed into the transitional government and the National Transitional Council (NTC). In this post-uprising period, the focus was on building a legal framework that could maintain state institutions and the country's legal, regional and international commitments while also creating a roadmap for the transition period. The NTC and its legal office promised to take action to maintain the stability of the legal system and that of all laws and regulations (including international, economic and political commitments and petroleum agreements and arrangements) in place before the uprising. The Constitutional Declaration issued in August 2011 set out distinct transitional phases and emphasized, in its Article 35, that the new state would continue to work with all laws and respect all commitments that were in effect before February 2011. This maintained the legal and administrative framework for the petroleum sector and gave guarantees and protection to foreign oil and gas investors while a new constitution was being developed.

Despite the weak and controversial role of the Constitutional Drafting Assembly (CDA) since it was elected on 20 February 2014, it has formed a backdrop for political debates since the uprising as regards control over natural resources. The CDA was elected according to the 1951 federal division, with 20 members of each state: Tripolitania in the northwest, Cyrenaica in the east and Fezzan in the southwest. Cyrenaica representatives have increased their demands that Benghazi should again have status as the second capital and financial centre of Libya, with NOC and other financial/economic governmental entities relocated there. Those demands formed the heart of the discussion, and even conflict, within the CDA. Representatives of the political Islamic parties within the CDA tried to impose formulations and concepts copied from the constitutions of countries ruled by militant Islamic governments, such as the Egyptian

Constitution of 2013, and some provisions from the Iranian Constitution related to the sovereignty of Allah over natural resources.

The first constitutional recommendations were inconsistent and even defective in dealing with controversial issues. For example, Article 6 in the draft of Committee 1 states that 'God alone is sovereign and sovereignty, by His will, is entrusted to the nation…'. The draft does not clarify the intended meaning of 'nation'. Is it the Islamic nation (*Umma*) in the broad religious sense, with all the ambiguity which surrounds this term? Or is it the 'Arabic nation', with all its geopolitical complexities? Or does it address Libyans as a specific nation? The question then arises: could a constitution enacted at a time when the country is still polarized hold true legitimacy and represent the 'nation'? And 'nation' is particularly ambiguous because it may imply that members of the public who are not citizens are excluded from this concept of sovereignty; other constitutions have replaced the concept of a 'nation' with the term 'people', to reflect the fact that all institutions hold and exercise power on behalf of the people and are accountable to the people. Furthermore, should state sovereignty, which is a legal value that determines a state's internal and external independence and engagement, be linked to geopolitical or spiritual religious values? In the controversy over these matters, the effect of these principles on the petroleum sector was not taken into account. As shown by the case of Iran after the Islamic Revolution of 1979, such changes can have profound implications for investment and governance in the petroleum sector.

Since its formation and up until 2016, the Constitutional Drafting Assembly has continued to reflect the political conflicts between the various stakeholders. It has provided several drafts of the potential Constitution but has not yet been able to unify the demands and expectations of the provinces of Libya.

Conclusion

The level of public debate on natural resource management in Libya has varied since independence. Ever since 1951, natural resource management and revenue distribution have been a conflictual issue, horizontally

among the country's three provinces and vertically between the federal government and society.

This chapter has identified three significant phases in the post-independence era. Between 1951 and 1969, under royal governance and until Colonel Gaddafi's coup, oil underpinned Libya's socio-economic development and was a source of stability. The petroleum industry and its legal framework were built through interaction involving the state, the three provinces, foreign oil companies and foreign expertise. Oil became a fundamental factor in the eventual transformation of the state from a 'federal' to a 'centralized' state, in efforts to balance revenue distribution.

From 1969 to 2011, oil was the weapon used by Colonel Gaddafi in dealing with the Western world—but it was not used to promote national development. Controversially, Gaddafi enforced control over oil resources by strengthening the central regime, through totalitarianism and social injustice and by demolishing the state legal institutions. Consequently, the third period of modern Libyan history, starting with the 2011 uprising, has been marked by violent conflicts involving the three provinces and the political actors within them, with practical issues related to oilfield management at the heart of that conflict. Since 2014 the state has in practice been divided in two, with separate legislative and executive authorities in Cyrenaica and in Tripolitania, still fighting over the oilfields and the management of two national oil companies.

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11

The Netherlands: Resource Management and Civil Society in the Natural Gas Sector

Aad Correljé

Introduction

The discovery of the super-giant Groningen gas field at the end of the 1950s offered the Netherlands a source of energy with many applications in the country's rapidly expanding economy. Since then, natural gas has become an important part of not only the Dutch economy but also the economies of Belgium, France and Germany (Correljé et al. 2003). Looking back on the history of natural gas in the Netherlands, we can see how visions and policy perspectives on gas exploitation have been adjusted in response to economic and political developments in the energy market, both at home and abroad (De Jong and Weeda 2005). Equally interesting is how such policy changes were (or were not) influenced by civil society and public debate.

The time from the late 1950s until the 2010s can be roughly divided into three periods in which different socio-political constellations

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predominated in the Netherlands, with different roles for political parties, industry, the mass media, academia, think-tanks, NGOs, trade unions, educational institutions, religious organizations and individual citizens. In this chapter I cover each of these periods, discussing the changes in gas policy and the role of various civil society actors in bringing about the changes.

During the first period, from 1959 to 1973, the Dutch government and the natural gas industry (represented by two multinational corporations, Shell and Exxon), and in consultation with local city gas companies, negotiated in a relatively coordinated manner how to shape the Dutch gas regime, without much interference from society. During the second period, from 1973 to 1995, civil society took a much more critical stance towards gas extraction. Yet, because of the institutional setup already established, there was little actual impact on gas policy. The third period, from 1995 to 2010, was characterized by liberalization, with gas becoming a commodity rather than a public good. During this period, a wide range of actors began to voice their concerns and opinions, protesting about all kinds of aspects of energy and gas supply, often in opposition to each other. Since 2010, this has created a situation in which policy-making has become increasingly complex. On the one hand, the role of national policy-making has been reduced, through liberalization and the increasing salience of EU regulation. On the other hand, public opinion on gas and energy issues became divided on many issues.

The analysis for this chapter is based on a review of the relevant academic and public literature, as well as 'grey' material and interviews collected for previous studies (Correljé and Odell 2000; Correljé et al. 2003; Correljé and Verbong 2004; Correljé 2005).

Growth and Abundance (1959–1973)

The use of natural gas in the Netherlands took off some 70 years ago, when natural gas was discovered in Coevorden in the northern part of the country. At the time, many urban households were using city gas in their cooking stoves and water heaters. City gas, a fuel manufactured by

distillation of coal, was delivered through local gas grids. In 1947, Shell and the Standard Oil Company of New Jersey (Esso, later Exxon, then ExxonMobil) established a joint venture to explore for oil and gas in the Netherlands, the Nederlandse Aardolie Maatschappij (NAM), which identified several smaller oil and gas fields during the 1950s. There was a clear preference for crude oil at the time. Natural gas was seen as a resource that generated only minor revenues and primarily served public utilities and was therefore to be extracted on a 'cost-plus' basis (the consumer price was based on the cost of production and distribution, plus a small utility-rate profit for the operator) (Kielich 1988; Kaijser 1996; Correljé et al. 2003).

Then in July 1959, a significant gas discovery was made near Slochteren, in the province of Groningen. As the composition of the gas and the pressure of the field were similar to an earlier discovery some distance away, it was inferred that a 'gigantic' field had been struck, with a possible reserve of 60 billion cubic metres (bcm). NAM informed the Minister of Economic Affairs, Jan De Pous, but did not make any further announcements. Shell later argued that this was because of the uncertainty surrounding the actual size of the deposit. However, another reason was the fact that NAM did not want to alert other oil companies, as it did not have an exclusive production permit. It was not until October 1960 that newspapers wrote about the discovery of a super-giant gas field. Subsequently, after new exploratory drilling, the size of the field was adjusted upwards: from 60 bcm to 150 bcm, to 470 bcm in 1962, to 1100 bcm in 1963 and to 1900 bcm in 1967. One of the largest gas fields in the world had been discovered in the Netherlands.

The size of the Groningen field offered new possibilities to the Dutch economy, as had become clear to both NAM and the Minister of Economic Affairs. However, complex issues needed to be dealt with. NAM, on the one hand, considered the existing gas production regime inadequate, given the size of the field and its cost structure. Indeed, on the prevailing cost-plus basis, NAM would have received only 1–2 eurocents per cubic metre for the gas delivered. The gas would have been sold for 15 eurocents, while only small profits could be made because of the high costs of distribution. Moreover, natural gas would have to compete with domestic heating oil, kerosene and possibly fuel oil, sold by the

same (and other) oil companies with much higher profit margins. In addition, the small scale of the existing gas market and the lack of transport infrastructure limited the development of such a massive field. On the other hand, the Minister envisioned a much greater role for the state in such an important project. From 1960 onwards, a negotiation process unfolded between NAM and the Ministry, in which other stakeholders, like the Dutch State Mines and the municipal gas companies, were merely consulted.

It took 3 years for the joint venture partners (Shell and Exxon) and De Pous to agree and lay down the principles of Dutch gas policy in a policy paper (MEA 1962). Most important was that exploitation of the gas was to be maximized and yield the greatest possible revenues to the state and NAM. Therefore, the principle of 'market value' was introduced. This implied that the gas price for categories of consumers was linked to the prices of the alternative fuels available to them, like heating oil for household and small-scale commercial users and fuel oil for large industrial consumers. Consumers would never pay more for gas than for possible substitutes, but they would not pay less either. The main added value of gas lay in its cleanness as compared to coal and fuel oil, its practicality and the fact that storage and handling costs were much lower than for the alternatives. The revenues to the Dutch state and the oil companies, with application of the 'market value' principle, would be much higher than the traditional gas regime would have yielded, given the low production cost at Groningen of about one eurocent per cubic metre. These principles were proposed by Exxon on the basis of its experiences in the USA (Correljé et al. 2003; Stewart and Madsen 2006).

An important precondition for applying the market value principle was that no competing volumes of gas were to be offered on the market (Odell 1969). To ensure this, the volumes to be produced and the sale of the gas would be coordinated by the state, while Shell and Exxon were to be responsible for the actual production and marketing, drawing on their technical and commercial experience. Eventually, in 1963, the Dutch state, Shell and Exxon agreed on a reorganization of the gas sector that united all these principles in the *Gasgebouw*, the 'gas building/construction' (see Fig. 11.1). A pivotal role was given to a newly established company, Gasunie, a joint venture between the state-owned Dutch State Mines

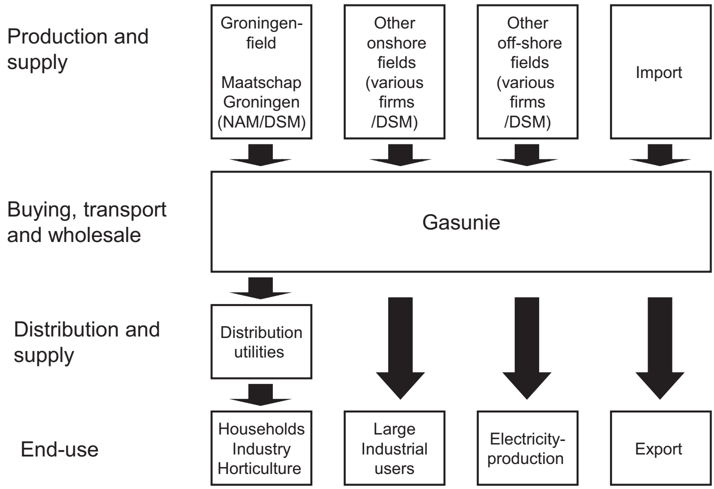

Fig. 11.1 Structure of the Dutch *Gasgebouw* (1963–2004)

(40%), the state (10%), Exxon (25%) and Shell (25%). Gasunie was made responsible for the acquisition of all gas produced in the Netherlands and its subsequent sale to the various customer categories, as well as for construction and operation of the national high-pressure transmission grid. Local municipal gas utilities were to take charge of the distribution and sales of gas to household and small-scale commercial consumers.

NAM became responsible gas production in Groningen. The costs of the national transmission system and the local distribution grids were recovered from the revenues earned by Gasunie and the local utilities. The state participated via Dutch State Mines (DSM) in the exploitation of the field in a joint venture partnership with NAM: Maatschap Groningen(40% DSM, 60% NAM). The profits were shared between the state (70%) and the oil companies (30%). The Ministry of Economic Affairs evaluated proposals from DSM and Gasunie regarding sales prices, production volumes and national sales and exports. Thus, the *Gasgebouw* involved an intricate public–private governance structure, where the main decisions were taken under commercial contracts between the state and the oil companies as partners and joint shareholders in the gas sector. The state was also to evaluate and award subsequent exploration and production permits to NAM and other oil companies.

In the context of the Dutch economy and society, still recovering from the devastation of the Second World War, this structure shielded the negotiations and creation of the gas regime from direct outside involvement. Dutch society and politics were 'pillarized': vertically divided into societal segments, according to religion or ideology (Lijphart 1989). The elites of the main factions of Dutch society—Protestants, Catholics, liberals and social democrats—took care of the governance of various political and social issues within their own pillars, which also included political parties and trade unions. Within these pillars, the public, businesses and labour unions were provided with 'their own' cultural and public services, like education and healthcare, media and even sports and hobby clubs.

At the top of these pillars, issues of national or municipal interest were arranged and resolved by the members of these elites, meeting in councils or special commissions that cut across the pillars. Excluded from this constellation were the communists and some other small groups. One such commission also played an important role in decision-making relating to the Groningen arrangements, which thus took place in a relatively depoliticized manner, where the broader society had scant influence (Bakker and Salverda 1983a, 19–21).

From 1965 onwards, a real political struggle arose within the coalition government and in parliament concerning the creation of a new legal framework for offshore gas exploration and production. Far greater involvement of the state than under the Groningen arrangements was demanded by the left-wing parties, which included the Communist Party, the Pacifist Socialist Party and the leftist wing of the Labour Party, PvdA (*Partij van de Arbeid*), the latter being a member of the ruling coalition. The centre and right-wing parties advocated more moderate state involvement, reflecting the risks associated with offshore operations. In this struggle, international oil companies and Dutch industry established lobbying organizations and secured the support of the leading Dutch financial newspaper *Het Financieele Dagblad*. On the left, however, there was little popular interest in the issue, and the debate remained one between parliamentary factions and the government (De Jong and Koper 1978; Bakker and Salverda 1983a; Kielich 1988).

Between 1962 and 1974, Dutch gas strategy was driven by the rising estimates of the Groningen reserves, continually proving larger than

initially anticipated. Moreover, it was expected that the use of nuclear energy would increase rapidly towards the end of the century. That was taken to mean that the gas needed to be sold and consumed before it was left stranded. In turn, that gave rise to a strategy for maximizing the sales of gas.

During the same period, the Netherlands experienced a boom in housing construction, as many cities were expanding. Moreover, the post-war controlled wage policy came to an end, and the resulting wage increases enabled the population to live more comfortable lives, with plentiful supplies of hot water and heating. The introduction of natural gas was clearly seen as a step forward for the country, and went hand in hand with the penetration of TV in more and more households, the mass appearance of private cars and the emergence of supermarkets. In the (local) newspapers, ample attention was paid to 'the arrival of natural gas' whenever a new (municipal) supply area was connected, and consumers were offered a range of modern cooking stoves and heating equipment. Van Overbeeke (2001) underlines the important roles played by the Ministry of Housing, the building industry, the Consumers' Association and various associations of women and women's magazines, like *Libelle* and *Margriet*, in creating widespread acceptance of gas-fired central heating and cooking and hot water appliances. The Ministry of Housing and public housing corporations made gas mandatory in social housing projects; and pressure was put on the Ministry of Economic Affairs and Gasunie to keep gas affordable for all.

Natural gas also played an important role in the industrialization of the country, fuelling small and medium-sized commercial enterprises, horticulture and power generation. First, with government support, Dutch State Mines in Limburg was converted into a modern chemical industry based on natural gas. An important objective was to provide alternative jobs in this mining region. Energy-intensive industries, like the ALDEL aluminium plant in Delfzijl, the Hoechst phosphate factory in Zeeland and a zinc factory in Budel, were supplied with gas at substantial discounts, even though these industries did not generate many jobs. Eventually, supported by the gas pricing mechanism, much of domestic and industrial energy came to be supplied by gas. Oil products, like petrol, diesel and kerosene, were used only for transport purposes, while coal

was used solely in the steel industry and on a small scale, for power generation. Sizeable volumes of gas were earmarked for export to the premium markets in neighbouring Belgium, France and Germany.

Scarcity and Crisis (1973–1995)

The 1973–1974 oil crisis led to an abrupt reversal in Dutch gas policy. The new approach was based on the widespread conviction that energy was becoming scarce. Now the idea of 'security of supply' came into focus: a guarantee that Gasunie would be able to supply the Dutch market with gas for at least another 25 years. To achieve that objective, first of all, the use of gas was discouraged, by reducing the amounts supplied to power generation and large-scale industry. Secondly, the export of gas was reduced, by renegotiation and gradual linkage of the gas price to the higher oil price. Thirdly, households and industry were encouraged to reduce their use of gas, through better insulation and more efficient appliances (Lubbers and Lemckert 1980). In combination with an economic recession and the general decline of the traditional Dutch manufacturing industry, this brought a significant fall in gas consumption.

In addition, the gas industry was encouraged to explore for new gas resources, on- and offshore. From 1974 onwards, the 'Small Fields Policy' guaranteed that companies could sell their gas to Gasunie at acceptable prices. There was no need to wait until Groningen was empty. Hence increasing volumes were produced from the smaller fields. From volumes of around 85 bcm in 1976, Groningen output was reduced to 45 bcm in the early 1980s, and down to 30 bcm in the 1990s, making it possible to improve the field's long-term extraction rate and extending its lifespan (see Fig. 11.2) (Kielich 1988).

Linking the gas price to the high oil prices brought windfall revenues to the Dutch state and industry. After the second oil crisis (1979–1980), export contracts were renegotiated, resulting in lower sales volumes at higher prices. The government also forced Exxon and Shell to renegotiate the sharing of profits, with around 80% to go to the state. The state and the companies also reached a gentlemen's agreement, whereby the latter would reinvest part of the profits in modernization of oil refineries in the

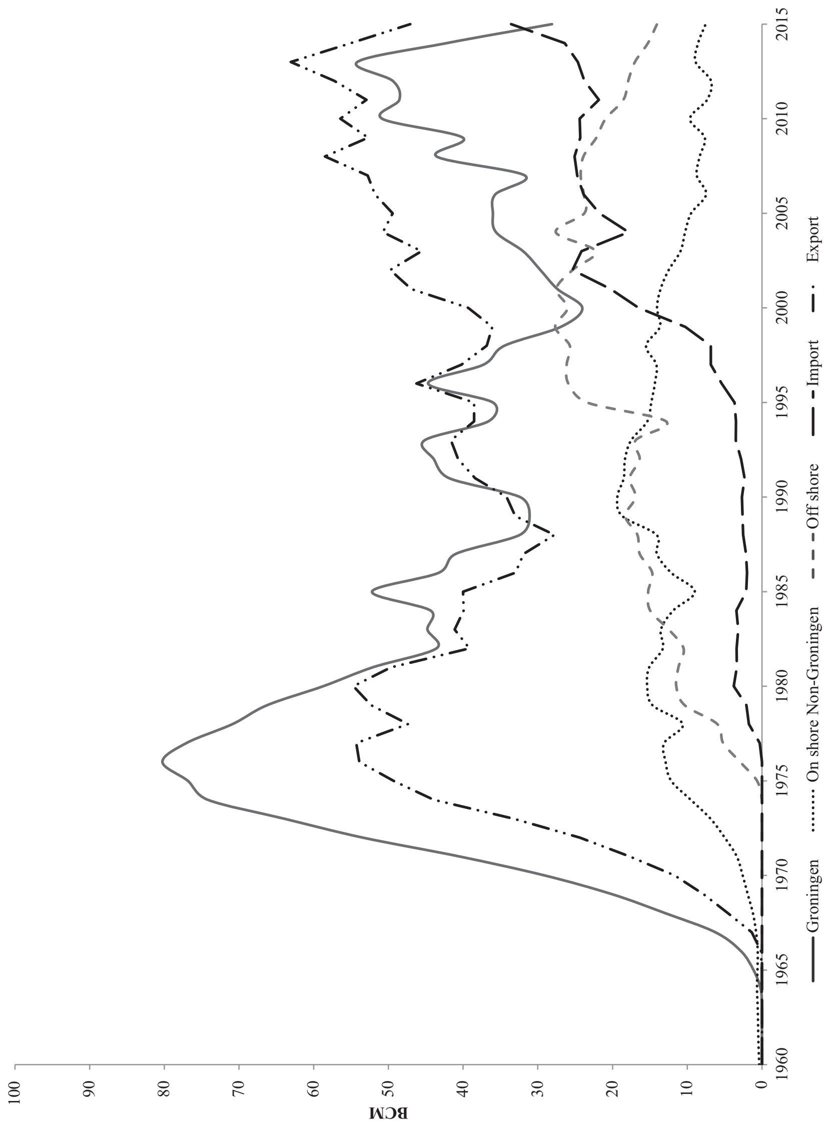

Fig. 11.2 Supply and destination of natural gas. Sources: MEA 1975–2016; CBS 2016–1974

Netherlands. During the first half of the 1980s, gas revenues made up about 15% of the state budget. It was in this period that the term 'Dutch disease' was coined to describe the negative effects of high resource incomes on the rest of the economy (The Economist 1977). This now-familiar concept refers to the decline of the Dutch manufacturing sector and related employment, following the rapid growth in gas export revenues and the associated appreciation of the currency, which reduced export demand for Dutch manufacturing and also resulted in increased domestic inflation. Oddly enough, this causality has never been empirically established in the Netherlands in retrospect (Weitenberg 1975; Lubbers and Lemckert 1980). Moreover, also in many OECD countries a similar contraction of the manufacturing sector and inflationary pressures could be observed. In fact, in the Netherlands the notion of 'Dutch Disease' is associated with the generous way in which state gas revenues were spent—on social welfare and culture, supporting declining branches of industry, constructing expensive infrastructure, research and development, reducing the state deficit and so on. However, this was essentially an ideological discussion, in which the actual source of the revenues was never in focus (Ros 2009).

By that time, the 'pillarized' political system had begun to disintegrate (Lijphart 1989). The elites were losing their grip on the Protestant, Catholic, liberal and social-democrat segments of society. The protest generation of 1968 started to gain influence (Van Aardenne 1987). Domestic and export prices for gas, the role of the international companies and their investments and the distribution of their profits, all became issues of political debate and drew the attention of the de-pillarized media (Bakker and Salverda 1983a, b). Trade unions (Scheele n.d.), newly established NGOs, advisory councils (AER 1983; SER 1983) and research institutes joined the public debate (Wieleman 1982). The focus was on complaining about overly high consumer prices and the allegedly large profits made by the companies.

Nevertheless, even in this situation, the gas sector remained relatively insulated from political and media discussion, because central elements of the gas regime were already determined by binding contracts between government and industry. The trade-offs in the gas regime between companies and the state had never been politically determined; they had been

negotiated, leaving limited room for the influence of the emergent public and political voices.

So, despite the political and economic turmoil of this era, social discontent related to the gas sector was kept at bay. Indeed, the sizable gas revenues allowed the maintenance of a generous welfare state, while ailing manufacturing firms and the associated jobs were propped up by state funding. This is often seen as a negative side effect of the high resource revenues of that era. However, it also created a political climate and economic conditions in which the government, employers and trade unions could negotiate and reach agreement on a fundamental restructuring of the Dutch economy from 1982 onwards: this was the *Poldermodel*, a form of consensus-based decision-making among the trade unions and employers' organizations which paved the way for the Dutch economic miracle of the 1990s (Jonker 2014).

Supply Competition in Europe and a Liberalized EU Gas Market (1995–2010)

After 1983, policy objectives were adjusted again. Energy now appeared less scarce than previously thought, because over the 1970s the high oil price had stimulated investments in successful oil and gas exploration in the North Sea and other places. Moreover, as in many other OECD countries, the economic crisis and the restructuring of the manufacturing industry, in combination with improved energy efficiency, had brought a decline in energy demand. In the Netherlands, declining gas sales meant lower state revenues precisely at a time when they were needed to finance social security and restructuring of the economy. The share of gas income in the state budget was reduced to some 5%. To maintain the revenues, more gas was made available for the power sector and for export contracts (Verberg 1986).

In the European market, Dutch gas now had to compete with growing supplies from Norway and Russia. The Netherlands increasingly served as the northwest European swing producer, supplying gas mainly in wintertime when demand peaked. This enabled Norway and Russia to supply relative constant volumes of gas, making efficient use of their expensive

long-distance pipeline infrastructure (Correljé and Odell 2000). It was in this context that the European Commission began to advocate a liberalized European gas market that could attract multiple producers, competing to sell their gas and thus pushing down gas prices and providing security of supply (Stern 1984).

By the end of 1995, to the surprise of some of the European energy establishment, the Dutch government announced a radical change in the organization of the country's gas industry (MEA 1995). Until then, the Netherlands had been a staunch defender of the status quo in the gas market, against EU proposals for creating a competitive European gas market (Correljé 1997; Stern 1998). Now, and in line with its market-oriented ideology (and strongly supported by the Dutch manufacturing industry and power sector), the liberal government gave in to the demands of the European Commission (Correljé et al. 2003).

In the second half of the 1990s, the contours of the restructuring and regulation of the gas and the power sector were drawn up (MEA 1997), leading to the passing of the 1998 Electricity Act and the 2000 Gas Act. A national regulatory agency was created to supervise and regulate the companies' behaviour in the energy sector, to facilitate the emergence of a competitive energy market (De Jong and Weeda 2005). The Gas Act maintained the key role of Gasunie and the Maatschap/NAM, to preserve the public–private coordination of Dutch gas production, the balancing role of the Groningen field and the collection of state revenues.

To make it possible to transport and deliver gas, the producers, traders and suppliers were to be granted non-discriminatory access to the Dutch high-pressure transport system and the local distribution grids. To this end, Gasunie was split into a fully state-owned transmission system operator (Gasunie Transport Services) and a wholesale company, GasTerra (with 50/50 ownership by the state and the oil companies), responsible for the commercialization of Dutch gas production and sales to large users, in potential competition with other wholesale companies. The local gas utilities, which in the meantime had been merged into only a few regional firms, were now also split into distribution network companies and commercial retail firms, the latter often privatized by their public shareholders. To reduce transport costs, the regulatory agency developed a system for tariff regulation for the natural monopoly networks.

This process of restructuring had important consequences for the functioning of the Dutch gas sector. Initially, GasTerra lost Dutch market shares to lower-cost importers (see Fig. 11.2). By providing traders easy access to the transport network, a virtual wholesale spot market for gas was created: the Title Transfer Facility (TTF). Long-term contracts between the producers, Gasunie, the distribution companies and large consumers were replaced by short-term or spot contracts traded against TTF spot prices. That put an end to Gasunie's role in providing security of supply to individual Dutch suppliers. Suppliers, traders and customers would now have to arrange for security of supply via the spot market. The only instrument here was a medium-term production ceiling of 42.5 bcm on the Groningen field 2006–2015.

This liberalization of the energy market was clearly in line with the generally accepted neoliberal perspectives of the 1990s. Moreover, at that time, there were no real concerns about security of supply, geopolitical issues or the need for a sustainable energy transition: competition could be presented as the primary objective of market liberalization (AER 2005). Lower energy prices and a free choice of providers were the main selling points for this policy and for the newly established regulatory agency. Industrial gas consumers were greatly in favour of this, whereas domestic households needed time to get used to the arrangement. Eventually, the emergence of a range of websites on which households could compare their energy bill with alternative offers created a breakthrough in 'switching behaviour' among the public. Municipalities and provinces were enthusiastic, because privatization of their utilities would generate funds for them. Almost all regional utilities unbundled their production, retail and trade activities and sold them at high prices, generally to foreign energy companies like E.ON, Vattenfall and RWE. The public bodies retained their shareholdings only in the gas and power distribution networks, which by parliamentary intervention were required to remain in public ownership. Thus, there was generally little resistance to this restructuring.

However, the shift from energy as a 'utility' that was provided under a relatively depoliticized public/private governance structure, to a 'private good' supplied by private, profit-driven (and sometimes foreign) companies, using transportation systems that had to be regulated to keep their

profits under control, has probably changed the tolerant and unquestioning attitudes of Dutch society towards its gas supply system. From around 2006 onwards, natural gas in all its aspects has increasingly come under criticism. It started with serious local protests against the storage of CO_2 in a depleted gas field in Barendrecht between 2007 and 2010 (Cuppen et al. 2015), followed by a gradually evolving national uprising against shale gas exploration from 2009 onwards (De Boer 2015) and culminating in the fierce struggle of the population of Groningen against NAM, because of the earthquakes which, as became clear, were caused by depletion of the gas field (Brandsma et al. 2016). In response to these protests, the government was forced to abandon its plans for CO_2 storage and announce a moratorium on shale gas production. The earthquakes in Groningen led to a significant reduction in gas production (about 50%), with important consequences for both import and export of gas, and long-lasting effects on the position of the Netherlands in the European gas market.

Negative Image of the Gas Industry (2010–2017)

Today, much of Dutch civil society is against gas. It is often argued that natural gas is no longer needed, because society is heading for a sustainable energy future anyway. In September 2013, over 40 organizations, including government institutions, employers, trade unions, environmental organizations, social organizations and financial institutions, committed themselves to the Energy Agreement for Sustainable Growth—Het Energie Akkoord (SER 2013). This agreement addresses CO_2 reduction in the energy system, clean technology and climate policy while creating jobs and opportunities for the Netherlands in clean-technology markets.

Again in 2016, nearly one hundred organizations—including municipalities, provinces, distribution network operators and special interest associations—signed a manifesto to ban natural gas from household use (HIER Klimaatbureau 2016). Gas is seen as one among the other fossil fuels and, although it provides more energy per unit of carbon emitted,

it is not considered part of the future energy mix. Moreover, the looming dependence on unreliable foreign energy suppliers, particularly Russia, is seen as undesirable. Hence, the Gas Roundabout strategy to develop the Netherlands as storage and processing hub for gas was criticized by the Dutch Court of Auditors as well as many other actors as a waste of public funds (*Algemene Rekenkamer* 2012). As yet, however, such opinions build on a fairly limited popular understanding of the (still) fundamental systemic role of gas in the Dutch society and energy supply (Kreijkes 2017).

Almost all industrial activity related to natural gas and increasingly also other sub-surface activity is subject to local and national protests (Dignum et al. 2016). This includes the political evaluation of such activities in the Dutch Parliament and by provincial and municipal authorities. Such protest attracts significant media attention, often focusing on (groups of) individuals as victims of the industry and/or the state (De Boer 2015). Environmental NGOs, academics and think-tanks, educational and religious organizations are embracing sustainable solutions like wind, solar and geothermal energy. However, while satisfying only a small portion of Dutch energy demand so far, these alternatives are also increasingly debated, for various local and other reasons. The solution offered by the current government is 'a national energy debate', in which all stakeholders may voice their ideas and solutions for the future energy system (MEA 2016). The outcome of this debate, as recently announced by the government, is the objective of gradually phasing out natural gas towards 2050.

Looking Back

The Dutch gas sector and the involvement of the public in that sector have evolved through several distinct phases. The shift from one phase to another has often been driven by unpredictable national or international developments. Yet, until recently, the structure of the Dutch gas sector and its governance allowed for various societal interests and preferences to be managed and reconciled in a generally balanced and depoliticized manner. Public–private ownership over the industry created possibilities

for coordination, while trade-offs and compensation could be explored, discussed and implemented effectively—even in fairly rough periods, like the energy crises and the steep decline in energy prices in the mid-1980s. Nevertheless, these trade-offs generally concerned national-level issues; local issues and concerns associated with industrial activities of the gas sector were rarely under discussion.

The liberalization and partial privatization of the sector after the Gas Act of 2000 seems to have transformed the public arena, with an expanding range of actors voicing their arguments related to economics, climate change, safety, geopolitics, local environmental protection, ecology and equality. What further complicates matters is that many of the issues (and the proposed solutions) are still hard to reconcile with the complexities and long-term character of managing a real-world energy/gas system. Finding new ways of deliberation and policy-making through which these voices can be aligned to create adequate energy supply solutions probably is the major challenge for Dutch resource management today.

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12

Nigeria: The Role of Civil Society in the Politics of Oil Governance and Revenue Management

Cyril Obi

Introduction

This chapter critically examines the public debate on the petroleum sector in Nigeria and the extent to which civil society organizations (CSOs) have been able to influence oil governance and the management of oil revenues in the country. It examines the relationship between the state and CSOs, in particular how CSOs mobilize people to demand accountability from the government, to ensure that oil wealth benefits the entire populace and contributes to the country's development. The chapter also identifies the main civil society actors, explores the critical issues underpinning the debates on how best to manage Nigeria's oil and discusses the

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extent to which civil society actors influence government policies relating to oil governance, revenue management and national development.

Nigerian civil society sets the agenda for the debates on oil and national development through published reports, public statements, paid announcements in newspapers, television programmes, press releases, petitions, strikes, engagement with the national legislature, presentations at workshops and position papers presented to government agencies and international organizations. CSOs also mobilize people through public demonstrations, with a view to projecting the views of their members and society at large. The aim is to influence and transform national oil policies. This chapter focuses broadly on three areas of petroleum policy that civil society seeks to influence: accountability, upstream and downstream operations (corporate social responsibility, distribution of oil revenues, pricing of petroleum products, casualization of oil workers and expatriate quotas) and the government's socio-economic policies towards members of the public, trade unions and local communities.

The chapter draws on material taken from a desk review of academic and popular literature, media sources and interviews with Nigerian civil society activists. The first section below presents a conceptual framing of oil governance in Nigeria and the positioning of civil society in relation to state petroleum policy and management of oil and gas resources. This sets the stage for evaluating the extent to which such actors determine the agenda for public debates on the governance of Nigeria's oil and gas and influence government policy. The concluding section sums up the arguments made in the preceding sections and critically examines the prospects for the future.

Oil Governance and Management in Nigeria: The Civil Society Connection

It is widely held that resource governance in Nigeria is characterized by the prevalence of a rentier-state mentality, high levels of corruption and the paradox of plenty—with wealth side by side with widespread poverty, instability and violent conflict (Shaxson 2005, 311–324; Sala-i-Martin and Subramanian 2013, 570–615; Ikelegbe 2006, 23–56; Obi 2010a).

This perception is in part influenced by the 'resource curse' discourse, which is in turn a spin-off of the work of economists and political scientists seeking to demonstrate the existence of a 'correlation between resource endowment and negative developmental outcomes' (Obi 2010b, 445). It has resonated with the view that 'abundant oil endowment inevitably leads to, fuels or prolongs violent conflict in Africa' (Obi 2014, 147). There is a rich literature on the resource curse as an explanatory framework for the failure of development in resource-rich contexts. The fact that Nigeria exhibits some of the economic distortions associated with oil-dependent economies—such as high levels of corruption, inequality, import dependence and chronic balance-of-trade deficits—has lent credibility to the view that the country's oil wealth has been largely mismanaged, that it fuels conflict and is wasted (Shaxson 2005; Oyefusi 2008, 539). However, a closer look reveals that reality is far more complex: there are elements of progress and regression, both rooted in the structural distortions of an export-oriented oil economy that is poorly connected to other sectors of the national economy but that continues to show signs of growth and resilience. The picture of Nigerian oil governance and revenue management is a mixed one and should not be subjected to simplistic generalizations.

As noted above, oil governance and revenue allocation in oil-producing countries is often framed in the discourse of the resource curse or a response to it. The public debate in Nigeria about the oil–development nexus is largely based on 'Nigeria's immense but unfulfilled development potential' (Obi 2010b, 443), with oil, corruption and misrule identified as the main culprits. This perspective has been advanced by some scholars, the popular press and politicians. Drawing on global discourses on transparency, accountability and good governance as antidotes to the resource curse, the Nigerian public debate has explored 'solutions that are hinged upon the belief that more efficient management/governance of oil resources based on transparency, accountability and sound investment of oil revenues can "exorcise" oil-cursed petro-economies and set them on the path to democracy, peace and development' (Obi 2014, 2).

Since the Nigerian discourse tends to be framed largely in terms of how best to address the resource curse, considerable effort (also by CSOs) is put into achieving more effective forms of resource governance, rights-based protection, building mechanisms and institutions for ensuring

accountability and transparency, and ensuring that oil revenues benefit ordinary citizens. The debate is complex, sometimes emotional and politicized given the high stakes of oil-based power. As civil society in Nigeria is not homogeneous but differentiated along complex and sometimes conflicting lines, this chapter focuses on those groups and organizations that directly seek to influence public debate on oil-related issues, make specific demands on the government and mobilize information in a quest to raise awareness and influence oil policy.

While highlighting some shortcomings of relying exclusively on the resource curse as the framework for explaining Nigeria's inability to control its oil industry or achieve its full developmental potential, this chapter reflects on the role of major civil society groups and organizations working to transform the country's oil into a resource for peace and development. The next section delves into the issues that drive their campaigns, demands and position(s) related to oil and society in Nigeria.

Civil Society Actors: Setting the Agenda for Oil Policy in Nigeria?

The CSOs that seek to influence oil policy in Nigeria include general trade unions like the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC) and specialized trade unions in the petroleum sector, such as the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and the National Union of Petroleum and Natural Gas Workers (NUPENG). Although such unions have been weakened by attacks on oil installations and insecurities in the oil-producing communities of the Niger Delta as well as by labour policies in the oil industry, including the casualization of oil workers, they nonetheless have some room and opportunities to influence public discourse on oil policy.

Other relevant organizations include Revenue Watch Institute (RWI), the Nigerian Extractive Industries Transparency Initiative (NEITI), Publish What You Pay (PWYP) Nigeria, BudgiT and the Oil Revenue

Tracking Initiative (ORTI). Environmental and human rights and pro-democracy groups include Environmental Rights Action (ERA), the Stakeholder Democracy Network (SDN), the Civil Liberties Organization (CLO), Social Action and ethnic minority organizations such the Ijaw Youth Council (IYC) and the Movement for the Survival of the Ogoni People (MOSOP). Other relevant non-governmental organizations (NGOs) or CSOs include the Civil Society Legislative Advocacy Centre (CISLAC), the Centre for Leadership, Strategy and Development (Centre LSD) and the Occupy Nigeria movement.

The mainstream and individuals/groups operating on social media make up another category of actors who seek to influence oil policy in Nigeria.[1] According to Dauda Garuba of the Natural Resource Governance Institute (NRGI, formerly the Revenue Watch Institute), these organizations receive technical and/or financial support from organizations such as NRGI, the Open Society Initiative for West Africa (OSIWA), the Facility for Oil Sector Transparency and Reform (FOSTER), the Heinrich-Böll-Stiftung, Oxfam Novib and the World Bank, among others.[2]

Some of these CSOs have been at the forefront of public debates, campaigns and lobbying efforts aimed at ensuring accountability and transparency in the collection and management of Nigeria's oil revenues. They have played key roles in raising public awareness about the operations of the industry and how it affects people's lives, including exploring ways to influence the government to adopt policies aimed at ensuring that the benefits of oil can be more efficiently and equitably distributed among Nigerian citizens. As previously noted elsewhere:

> [C]ivil society and local social movements have critical roles to play with respect to civic education, sensitizing citizens on the right to defend their votes, raising of environmental awareness, and putting pressure on the states to protect their own citizens and have a long-term perspective to the developmental impact of oil endowment. (Obi 2011, 114)

I now turn to how CSOs in Nigeria have played these roles, and whether they have influenced state oil policy in terms of advancing

transparency and accountability and promoting reform of the Nigerian oil and gas industry.

Transparency and Accountability

According to Ukoha Ukiwo (2012), the first attempts to demand accountability from oil companies and the government did not come from urban-based NGOs but from local communities in the oil-producing Niger Delta region. Noting the strength of feeling of local communities, Ukiwo decries their total absence from the Nigerian Extractive Industries Transparency Initiative (NEITI), which was passed into law in 2007 to ensure transparency and accountability of natural resource governance. He questions the basis of civil society's legitimacy and its claim to represent the people and argues that there is overwhelming evidence that urban-based NGOs dominate civil society engagement with the state.

From the early 1990s and onwards, civil society assumed a prominent role in pushing for democratic change, institutional and governance-related reform and the promotion of human rights and justice in Africa. Civil society groups were at the forefront of the struggle against military dictatorship in Nigeria as well as the struggle for environmental and minority rights in its oil-producing Niger Delta. As Dauda Garuba (2014) points out, 'prior to Nigeria's signing on to EITI, civil society engagement on oil and gas issues was largely limited to human rights abuses, environmental degradation and underdevelopment in the Niger Delta'.[3] Examples of such engagement include the environmental and minority rights campaigns (targeting the Nigerian government and the international oil companies) of MOSOP, IYC and the human rights campaigns of the Civil Liberties Organization (CLO) and the Environmental Rights Action (ERA), to mention a few.

When Nigeria returned became democratic again in 1999, civil society shifted its focus to other issues. The main strategies included mobilizing the populace to demand accountability from elected leaders and to expose and fight corruption in politics and public life. This effort was particularly pronounced in the oil sector, which had a reputation for being opaque and a source of 'spoils' for political networks intimately linked to federal

and state power. There is little doubt that pressure from civil society contributed to the decision of the Nigerian government in 2003 to join the Extractive Industries Transparency Initiative (EITI), 'a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources' (EITI 2011). The EITI standard requires all member-countries to practice 'full disclosure of taxes and other payments made by oil, gas and mining companies to governments' (EITI 2011). By 2011, Nigeria, along with the Central African Republic, Kyrgyzstan, Niger, Norway and Yemen, and others were declared to have achieved EITI-compliant status (NEITI 2014). This boosted hopes within Nigeria that revenue transparency would discourage government corruption and promote responsible resource governance, provide information that civil society could use for its advocacy and public awareness campaigns while also empowering ordinary citizens to demand accountability from their rulers.

When Nigeria established the Nigerian Extractive Industries Transparency Initiative (NEITI) in 2007, civil society played an important role, collaborating closely with the government and oil companies. CSOs also played a key role in raising public awareness about the positive impacts of adopting EITI standards within the country. CSOs are represented on the board of NEITI and on the NEITI–civil society steering committee; they also participate in training programmes organized by the NEITI. In addition, NEITI has a civil society liaison officer who coordinates relations with CSOs (NEITI 2014). It has been noted that civil society's engagement with NEITI was in part informed by the belief that this could help to resolve the 'oil paradox, and promote transparency and better governance of the oil and gas industry in the country' (Abutudu et al. 2012, 5–7).

Under EITI, Nigeria undertook three audits of the oil and gas industry: 1999–2004, 2005 and 2006–2008—a feat unprecedented in Nigerian petroleum history. This also produced considerable information on the problems besetting the management of oil revenues in the country. As Otive Igbuzor (2012, 16) put it, 'the three audits revealed the irregularities and discrepancies in the oil and gas sector in Nigeria'. He goes on to identify some of these as including evidence of 'poor financial management, poor metering infrastructure, poor information systems

and absence of a clear basis for determining production volumes for calculating royalties, taxes and bonuses' (Igbuzor 2012, 16). But Igbuzor (Igbuzor 2012, 16) also notes that while the audits have helped to raise public awareness, 'such findings have not been well used by civil society organizations for campaigns and advocacy', pointing to the capacity and resource gaps within civil society itself (see also Shaxson 2009).

The limitations of EITI have been discussed elsewhere (e.g. Abutudu et al. 2012; Joab-Peterside 2013) and will not be addressed directly in this chapter. What is important to note is that the capacity of civil society to mobilize Nigerians to hold the government or companies accountable is rather limited.[4] Apart from the EITI process, also other sources of information would indicate that there are deficits of transparency and good governance in the Nigerian petroleum sector and in the revenue flow. Much information comes from reports of investigative, audit or parliamentary committees set up or commissioned by the government. These include a KPMG report detailing irregularities in crude oil revenues paid into the federation account by the Nigerian National Petroleum Corporation (NNPC) (KPMG 2010), a report of the House of Representatives Ad-Hoc Committee on Subsidy Implementation (House of Representatives Report 2012), a report of the Technical Committee on Payment of Fuel Subsidies (Sweet Crude Reports 2012) and a report of the Petroleum Revenue Special Task Force (Special Task Force 2012), to mention some of the most prominent ones. Based on the findings of such reports, CSOs and Trade Unions have pressurized government to prosecute corrupt officials and oil companies involved in various kinds of abuses and to live up to high standards of accountability.

This indicates that civil society advocacy has contributed both to the raising of public awareness and the production of information on the governance deficit in the oil and gas industry through well-publicized campaigns, capacity development programmes, seminars, publications and media reports. Civil society has helped to expose corruption and the extent to which it undermines the management of oil revenues in Nigeria. Examples here include organizing public protests in Abuja and other cities, issuing communiqués condemning the mismanagement of oil revenues (including the abuse of oil subsidy payments), seminars/workshops and

the sustained campaign for passing of the long-delayed Petroleum Industry Bill (PIB). Further, civil society has shown how mismanagement of petroleum resources adversely affects the wellbeing of ordinary citizens and the prospects for national development. Pressure from civil society has also contributed to the implementation of oil policies that are sensitive to the public mood, where there have been protests and strikes against increases in the domestic prices of refined petroleum products (or the removal of 'oil subsidies). Ultimately, however, all they succeeded in achieving was to influence the timing of oil-product price hikes and the adoption of certain palliative government policies aimed at 'cushioning' the effects of oil-product price hikes.

Although CSOs have disseminated information on the collection and management of oil revenues, the level of public awareness has not reached a sustained level that can lead to coordinated nationwide campaigns for certain pro-people actionable policies. Civil society has suffered from capacity and resource deficits, as well as contradictions within the movement which restrict its possibilities for effecting real change in oil governance and revenue management. The following case study illustrates how that one civil society grouping—the trade unions—has engaged in petroleum governance, highlighting their strengths and weaknesses and some of the challenges.

The Petroleum Industry Bill: The Role of Trade Unions

The Petroleum Industry Bill (PIB) was originally introduced to the Nigerian National Assembly by President Yar Adua in July 2007, but still has not been passed into law. It aims to effect far-reaching reform of the upstream and downstream sectors of the Nigerian oil and gas industry, to make it more efficient, transparent and internationally competitive. This is underpinned by a vision of repositioning the industry in view of the changing context of the global oil industry, to drive accelerated national development based on securing better terms and returns from investments in the sector. It is therefore surprising that a programme for reform of a critical sector of the Nigerian economy, which also reflects the high

political premium placed on the ownership and control of oil and gas, has become such a protracted process. The delay in getting the bill passed is partly attributable to pressures from contending parties bent on ensuring that the bill does not compromise their interests. These include but are not limited to the international oil companies (IOCs), civil society, including the oil labour unions, the media and oil-producing communities.

As Louis Ogbeifun rightly observes, 'since the '80s, the NUPENG and PENGASSAN were at the vanguard of advocacy for the review of obsolete laws in the oil industry' (Ogbeifun 2011, 202). While the central trade union, the NLC and TUC have backed the oil unions in their campaign to protect workers' rights within the PIB, their approach has been more pronounced in the area of the socio-economic impact of oil policy. However, the NLC has been very vocal in campaigning for the quick passage of a pro-oil worker version of the PIB. At a 1-day interactive public enlightenment workshop on the PIB in 2014 in Lagos, Nigeria's commercial capital, one of the Vice Presidents of the NLC, Issa Aremu, called for the rapid passage of the bill into law and underscored the importance of including provisions that would recognize and uphold the interests of oil workers, represented by NUPENG and PENGASSAN. In addition he is quoted as insisting that 'the Bill must ensure that all companies operating in the Nigerian oil and gas industry comply with all international labour conventions that have been ratified by Nigeria; the collective agreements with the trade unions and extant labour laws as a minimum in all their dealings with the Nigerian workers and their representatives' (Aremu cited in Ahiuma-Young and Obasi 2014).

In a joint position paper on the bill drafted by the NUPENG and PENGASSAN joint committee, based on consultations with the NNPC, IOCs, members of both unions and the public, the unions made certain observations and demands (NEITI 2014). Both unions noted the 'opaque nature of the oil industry' and cautioned against provisions 'granting the President powers for discretionary award of petroleum licenses and leases' and recommending that such powers 'should be expunged as it is a recipe for cronyism and corruption' (NEITI 2014). They were also critical of the gaps in fiscal terms provided for in

the Bill, noting that it 'does not contain any royalty rates, or amounts for fees and rents, leaving them to Ministerial regulations' and pointing to the risks that this entails for oil investments (NEITI 2014). In terms of the institutional management framework prescribed in the Bill, both unions drew attention to the need to comply with 'global best practices' and reduce the discretionary powers granted to the Minister of Petroleum Resources. However, their efforts have not led to any major transformation of the upstream and downstream sectors of the Nigerian oil industry thus far.

Both unions also jointly made a case for revising the proposed Petroleum Host Community Fund to address the country's regional and ethnic diversities, reviving and protecting downstream operations, including putting an end to the importation of 80% of refined petroleum products (NEITI 2014; Allison 2014), and paying attention to labour issues and membership of institutions, boards and committees in the oil and gas sector. The report also proposed a set of performance-based objectives and demands for the representation of the oil unions on the boards of strategic oil and gas agencies and institutions.

Apart from articulating views on and seeking to influence the content of the PIB, the trade unions have played an important role in organizing protests against unpopular government policies. Such civil mobilization dates back to the military era, when the NLC and the oil unions went on strike to agitate for democratic and human rights. More recently, in January 2012, they played a key role in mobilizing protests against the steep rise in the prices of refined petroleum products and also participated in various panels set up by the government to investigate the management of oil revenues.

Although the PIB has still not been fully passed, there is no doubt that the public awareness-raising and sensitization activities of the NLC and TUC related to the bill have influenced the thinking of the national assembly and the caution with which government continues to deal with the PIB stakeholder groups. Particularly important have been the inputs of the oil unions into the debates on the PIB and their engagement with stakeholders in the oil and gas industry. However, it should be noted that also within the labour movement, there are slight differences in terms of approach and strategies of engagement. While

PENGASSAN, representing the senior staff of oil companies, tends to be moderate or conservative, NUPENG, which is affiliated to the NLC and represents junior oil workers, tends to be radical and activist in its approach.

Information relating to oil governance and management of revenues is readily available. However, judging from Nigeria's relatively low Resource Governance Index (RGI) score in the most recent Natural Resource Governance Institute Index (NRGI 2013), the country's oil governance still has serious issues. In response to NEITI's recent publication of a report on the Fiscal Allocation and Statutory Disbursement Audit 2007–2011 (NEITI-FASD), Garuba has commented on its documentation of the lack of transparency in the oil and gas sector and its recommendations, noting the importance of acting on them.[5] He also points out that civil society responded quickly to the report by holding a meeting in May 2015 at which a roadmap for improving resource governance was discussed and agreed. Perhaps equally significant is his observation that 'transparency cannot be an end in itself, but rather must be a means to an end'.[6]

Conclusions

We have seen that the public discourse on oil governance and revenue management in Nigeria has been underpinned by the resource curse perspective. However, while the country exhibits some of the symptoms associated with the resource curse, this cannot fully explain the root causes of the deficits in oil governance in Africa's largest oil exporter. The situation in Nigeria is complex and contingent on a range of factors and will require deeper analysis of its history, pre- and post-oil boom politics, leadership, the role of IOCs, the global market and the world's established and emerging powers.

Those who look to civil society to hold the government accountable and help push an agenda of good governance and efficient revenue management that can stop leakages in the system and promote sustainable self-reliant development in Nigeria need to understand that civil society has its own weaknesses and contradictions that limit its capacity to effect

real change in the country. As this chapter has shown, civil society organizations have engaged in activities directed towards raising public awareness of the importance of demanding transparency and accountability in oil governance, and act on such information, but have lacked the clout necessary to influence oil governance in any fundamental manner. As the PIB case study illustrated, the trade unions have been at the vanguard in seeking to protect the rights of citizens and especially oil workers, while also working to strengthen the oil and gas industry in ways that can promote the social welfare of the general public, national self-reliance and sustainable development. However, as Houeland (2015, 41) rightly observes, 'Nigerian oil unions are relatively disempowered'. Similarly, civil society groups, though active, can show only a modest impact on a petroleum industry where the stakes are high and transnationalized.

Two things are important in analysing the role of civil society here: to have a realistic empirically-informed knowledge of its capacities, limitations and complexities and to explore the kinds of partnerships, alliances, strategies and forms of support likely to make it a more effective force for positive change and the transformation of the oil and gas industry. In the final analysis, it is what civil society groups can do with the information on oil governance and revenues, and their capacity to unite and act in partnership with social allies and partners to achieve good oil governance and equitable revenue management in Nigeria, that will make the difference in governance and revenue management in Africa's largest oil-producing country.

Notes

1. Garuba, Dauda. 2014. Communication with author, September 2014.
2. Garuba, Dauda. 2014. Communication with author, September 2014.
3. Garuba, communication with author 2014; CISLAC activist, communication with author November 2015.
4. Garuba, Dauda. 2014. Communication with author, September 2014.
5. Garuba, Dauda. 2014. Communication with author, September 2014.
6. Garuba, Dauda. 2014. Communication with author, September 2014.

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13

Norway: Public Debate and the Management of Petroleum Resources and Revenues

Indra Overland

Introduction

The Norwegian petroleum era started with a request from Phillips Petroleum for permission to conduct geological exploration off the Norwegian coast in 1962. In 1965, the first licensing round was carried out, and in 1969 the large Ekofisk oilfield was discovered. Along with ensuing discoveries, this led to a rising wave of petroleum revenue, which was further inflated by the two oil crises in the 1970s and the steady expansion of Norwegian oil extraction.

To put the income into perspective, there have been periods when Norway—a country with a population of only five million—was one of the world's top three oil exporters (Steigum 2002, 5). In many other countries, such windfalls have been associated with the problems

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referred to as the 'resource curse'. In Norway, things worked out differently. As of 2016, the country had one of the lowest unemployment rates in Europe, the highest Human Development Index value in the world and a sovereign wealth fund worth USD 840 billion (NBIM 2017). Many skilled jobs for locals had been created in the oil and gas industry. Despite the constant pressure from Dutch disease—through which general production costs are driven up, making it too expensive for a country to produce much else than oil and gas—Norway retained other export industries. At the political level, Norway remained a stable and well-functioning democracy and was rated the sixth least corrupt country in the world (Transparency International 2015). Somehow Norway managed to largely escape the resource curse.

In the introductory chapter, I presented the hypothesis that the existence of well-designed institutions alone is insufficient for successful resource management and therefore cannot explain Norway's relative success. I proposed that the creation, performance and evolution over time of such institutions also depends on having a social and political context like the Norwegian one, including a diverse civil society and rich public debate, active grassroots movements and free and diverse media. Despite its small size in terms of population, Norway has eight political parties represented in the current Storting (the national parliament), more than 200 newspapers, over 400 municipalities and a highly active and diverse civil society (MedieNorge 2016; Salamon et al. 2013). The resultant multitude of voices and views serve to check and balance each other, ensuring the selection over time of good ideas and practices and allowing the public to challenge and expose poor practices (see also Berrefjord and Heum 1990, 34).

The book assesses this hypothesis through case studies of the main oil- and gas- producing countries around the world. However, I also want to check the hypothesis against the Norwegian case out of which it grew. That is the purpose of this chapter, and its research question is thus: *Have civil society and public debate played a decisive role in the development of petroleum governance in Norway?*

Although it touches on many issues that have arisen in the Norwegian petroleum sector, this chapter is not an attempt at a comprehensive history of the sector. It focuses on the developments and episodes relevant to the research question. In particular, it deals with the earliest and latest phases of the development of the sector—in order to compare the system in two quite different eras, encompassing the outer timepoints the Norwegian petroleum era. The chapter starts with three sections on different periods and then goes on to examine more closely the sovereign wealth fund and environmental issues. For definitions of the terminology used in the chapter, see the book's introduction.

1960s and 1970s: Early Days

Accounts of the start of oil and gas extraction in Norway dwell on the role of international oil companies, negotiations on the delimitation of the North Sea maritime boundary, access to technology and the interaction between key actors in the ministries. Civil society and the broader public seem to have played a limited role (Berrefjord and Heum 1990, 30), and even the Prime Minister and the Storting were initially not heavily involved (Naustdalslid 1975, 21). A major published work in this field, Volume I of *Norsk oljehistorie* [*Norwegian Oil History*], is 523 pages long, but the section on public debate takes up a mere two pages and mentions only the Confederation of Industry and a conference of economists (Hanisch and Nerheim 1992, 417–418). According to the standard Norwegian encyclopaedia, '…there was no public debate about the early phase of Norwegian oil policy' (*Store norske leksikon* 2016).

A 1971 White Paper spelled out the 'Ten Oil Commandments', which came to guide Norwegian petroleum policy for many years (Stortingets industrikomité 1971, 638). However, none of the commandments concerned the involvement of broader segments of society in policy formulation: it was assumed that the state would take care of things.

Thus, the first decade or so of Norwegian oil revolved around a small number of high-level political operators (Naustdalslid 1975, 32–33;

Ryggvik 2009, 75). During this period, the lawyer and politician Jens Evensen played a central and celebrated role (Meland and Johannesen 2014, 7). Evensen had been a resistance fighter during the Second World War and had served as prosecutor in the post-war trials against Nazi collaborators. When the first permits to carry out exploration were allocated to international oil companies, very few people, including politicians, received enough information to have much of an opinion on the matter, and Evensen worked to make sure that the process proceeded as smoothly as possible and without disruptive public debate (Ryggvik 2009, 67, 71). The licensing system established during that period came to constitute the backbone of Norwegian petroleum sector management for several decades (Berrefjord and Heum 1990, 30).

The Labour government of Trygve Bratteli held power only for the brief period from March 1971 to September 1972—but managed to play a pivotal role in the development of the country's petroleum industry. Bratteli's Minister of Industry, Finn Lied, was closely connected with the industrial powerbroker Jens C. Hauge, who had a background as an undercover resistance fighter during the Second World War and as Minister of Defence after the war (Ryggvik 2009, 81). Lied also brought in the economist Arve Johnsen as State Secretary. Lied, Hauge and Johnsen worked energetically for the creation of a large national oil company—Statoil—facing off the Conservatives in opposition, who feared that private business would be squeezed out (Lerøen 2014).[1] The ministerial and parliamentary policy documents needed for establishing Statoil were urgently produced during the Bratteli government's brief tenure (Ryggvik 2009, 86).

Only four days after the Bratteli government resigned, Hauge became the first Chairman of the Board of Statoil, and soon afterwards, Johnsen was appointed the company's first director. When Hauge stepped down as Chairman in 1974, Lied took over and held the position for the next 10 years (*Store norske leksikon* 2016).

In most countries, such developments might have been interpreted as tell-tale signs of a nepotistic and corrupt system. As Ryggvik (2009, 85) puts it, there was 'no other way of getting closer to the honey pot'. Some aspects of the development bear a superficial resemblance to the case of Vladimir Putin, Igor Sechin and Rosneft in Russia: people with

secret service and military connections worked hard to secure a government-controlled national oil company using left-wing arguments about national interest and subsequently shifted seamlessly between posts in government and positions in the company. In the Norwegian case, however, Statoil became a relatively efficient, commercially successful company that largely served the interests of the Norwegian populace (Austvik 2012; Thurber et al. 2011; Thurber and Istad 2012; Eller et al. 2007, 3).

When Prime Minister Trygve Bratteli in 1972 proposed establishing new institutions to manage the petroleum sector, he stated that it would be desirable for the national oil company and the governmental oil directorate to be 'physically integrated', for example, in the form of shared office facilities (Bratteli cited in Hagland 1983, 47). This indicated a failure to separate the institutions of petroleum governance, something that has led to problems in many an oil-producing country (McPherson 2003, 190; Luong and Weinthal 2010, 11; Tordo et al. 2011; Wainberg and Foss 2007).

However, again the Norwegian experience diverges from that of many other countries. Over time, the Norwegian government institutions governing the petroleum sector evolved towards greater transparency and accountability. Already in the 1974 White Paper No 25, it was stressed that democratic institutions should maintain control over the petroleum sector (Ministry of Finance 1974). In 1978, the government decided that the Resource Division of the Petroleum Directorate was to report to the newly created Ministry of Oil and Energy, whereas the Directorate's Safety Division would be under the Ministry of Local Government and Labour Affairs. The State Pollution Control Authority retained responsibility for oil spills and reported to the Ministry of the Environment. According to Ryggvik (2011, 71), the division of labour and power between these institutions was crucial in ensuring checks and balances and created more openings for public engagement with a system that might otherwise have become a closed circuit (see also Ryggvik 2009, 97).

Checks and balances were created at multiple levels within government and between government and the private sector: between the Storting and government, between multiple state institutions in the

petroleum sector, between state institutions and the national oil company, between the national oil company and private and international oil companies (Berrefjord and Heum 1990, 31, 35; Wyller 1975, 156). Despite the narrow beginning, the Norwegian institutions ultimately came to be seen as the 'canonical model of good bureaucratic design for a hydrocarbon sector' (Thurber and Istad 2012, 599).

However, according to Håkon Lavik (1999, 78), who worked as a journalist between 1970 and 1974 for Norway's major quality daily, *Aftenposten*, there was little serious media coverage of the North Sea oilfields until around 1977–1978 (see also Ryggvik 2009, 180). The increase in media interest was triggered by a rise in trade union activity in the petroleum sector. There had been numerous fatal accidents in connection with the construction and operation of the first Norwegian oil platforms and a serious blow-out at the Ekofisk Bravo platform in 1977. In 1978, the unions launched a series of strikes aimed at improving working conditions and pay for oil workers. The strikes went on sporadically until 1986, peaking around 1981 (Ryggvik 2011). Thus, the trade unions were one of the first elements of Norwegian civil society that sought to influence the petroleum sector and to place it firmly on the public agenda. As noted by Berrefjord and Heum (1990, 36), 'Norwegian oil policy was no longer a matter to be left to a few people to define'.

1980s and 1990s: Norwegian Oil Reaches Maturity

Even before Statoil was established, there were concerns that the economic and political power that such a company could amass would enable it to control political processes in the country rather than vice versa (Ryggvik 2009, 189; Berrefjord and Heum 1990, 34, 39). People on the right of the political spectrum feared that a powerful, state-owned Statoil would move Norway towards a centrally planned economy; people on the left feared that Statoil could undermine Norwegian democracy.

When the large Statfjord oil and gas field started generating substantial revenue for Statoil around 1980, the company's clout grew substantially, deepening fears about its dominant position in society (Ryggvik 2009, 189). After protracted debate, the parties in the Storting reached a compromise in 1984, whereby a large portion of Statoil's assets would be spun off into a separate economic entity referred to as the State's Direct Financial Interest (SDFI) [*Statens direkte økonomiske engasjement*]. Over time, the value of SDFI became significantly greater than that of Statoil. This limited Statoil's dominant position in the petroleum sector and in Norwegian society, without disrupting the high degree of government control over petroleum revenues. Statoil went on to become a major centre of power in Norwegian society, but would probably have become even more of a behemoth had it not been for SDFI (Ryggvik 2009, 190).

In 1986, the three main companies on the Norwegian continental shelf were forced into the Gas Negotiating Committee [*Gassforhandlingsutvalget*] established to negotiate the sale of all Norwegian gas collectively. Part of the logic behind the creation of this new institution was to limit the dominance of Statoil while ensuring continued Norwegian control (Austvik 2012, 322).

In 1988, a major scandal erupted in connection with Statoil's construction of an oil refinery at Mongstad on the west coast of Norway. Steadily worsening cost overruns ended up at NOK 6 billion (ca. USD 900 million), a sum that caused a public uproar (Austvik 2007, 210). The matter received intensive media coverage; the Statoil board was disbanded, and Arve Johnsen, who was still CEO, had to step down in disgrace. The term 'mong' was coined, meaning a sum of money equivalent to the Mongstad cost overrun, and was used many years afterwards to ironize over wastage in Norway's nouveau riche, oil-fuelled economy (e.g. Fadnes 2007). Philosopher and novelist Georg Johannesen (under the pseudonym Guri Johns) wrote a satirical novel about Mongstad in which an armada of helicopters thundered over his head on their way to the refinery's central canteen (Johns 1989). Clearly, at this point, there was no lack of public debate.

However, the next major development caused relatively little public discussion: in 1990, Statoil entered a strategic alliance with BP. The two

companies were to work closely together in China, the Soviet Union, Vietnam and West Africa. This signalled a major shift—from Statoil as the key instrument for securing Norway's national interest on its continental shelf against powerful international oil companies, to a striving to become one of those companies. Ryggvik (2009, 207) refers to the deal as 'dramatically comprehensive' and notes that the financially weak BP was mainly interested in Statoil's considerable cash reserves. Statoil's CEO Harald Norvik had little trouble mobilizing the support of the politicians, officials and journalists who surrounded him. According to Ryggvik (2009, 195), reactions to Norvik's vision in a meeting at the Polytechnic Society in the spring of 1990 were 'enthusiastic, almost euphoric'.

2000s: Privatization of Statoil

On 18 June 2001, Statoil was partially privatized and listed on the Oslo Stock Exchange. Early on in the preceding debate on privatization, only the Conservative Party and the Progress Party had been clearly in favour. The Socialist Left Party opposed any form or degree of privatization, while the parties at the centre of the political spectrum (the Centre, Christian Democrat and Liberal parties) did not initially have a clear position on the matter. The two unions of oil workers held differing views, and Labour was divided on this question (Ryggvik 2010, 104). As the country's largest political party, the Labour Party's conclusions would be decisive for the outcome.

Jens Stoltenberg, Labour Party leader and Prime Minister in 2000–2001 was among those who saw that, if it remained fully state-owned, Statoil would likely never be as efficient as a private company could be. Government-owned oil companies in many countries were highly inefficient, and it was hoped that partial privatization could help Statoil to avoid such a fate. The Labour Party voted at its annual congress in November 2000 to support partial privatization, and later that year the Labour government presented the privatization proposal to the Storting. A significant minority within the party, however, wanted the company to remain fully state-owned. Reflecting the level of political conflict caused by the partial privatization of Statoil, Finn Lied in 2008 called it 'one of

greatest errors in Norwegian political history' (Lied cited in Haugstad 2008, 30).

The process that led to Statoil's partial privatization in 2001 had been kicked off by the then-director of Statoil, Harald Norvik, who launched a public debate about the matter in 1999, after pondering it for 10 years (Ask 2002; Hellestøl 1999; Ryggvik 2010). Olav Fjell, who took over as CEO of Statoil after Harald Norvik in 1999, continued the pressure for partial privatization of the company. 'A 30% privatization may result in huge money. Huge money', he told a Norwegian journalist in November 1999 (Fjell cited in Lorentzen 1999).

The public debate on whether to privatize or not peaked in 2000. A search for the words 'Statoil AND partial privatization' ['Statoil AND delprivatisering'] in the Norwegian newspaper archive Atekst yields only 20 hits for 1998, but 217 for 1999 and 525 for 2000. Articles include interviews with Statoil managers and politicians, op-eds, editorials and guest commentaries by economists and others. These articles played a central role in raising the issue of privatization, paving the way for it to be carried through.

In addition, within the Labour Party there was a network that was not publicly known, the so-called oil group, and its discreet promotion of privatization may have been decisive. A former editor of the social democratic daily *Arbeiderbladet*, Wiktor Martinsen (2004), has argued that privatization would probably not have taken place if the existence of the oil group had been publicly known in 2000. In his book *Statoil for Sale*, he strongly criticizes Labour Party leader Jens Stoltenberg and others in the party leadership for having let down the labour movement by moving forward on privatization without a broader discussion within the party (Martinsen 2004). In an interview with the newspaper *Aftenposten*, Martinsen said:

> They were obsessed by a new idea, and the partial privatization of Statoil represented a totally different policy than the party had previously represented. Therefore, this issue should have been subject to a broad debate within the party, but this did not happen. At first, many of them didn't even want the party's national congress to consider this important matter. (Martinsen cited in Salvesen 2004)

After the initial partial privatization of Statoil in 2001, the state's share of the company was 81.7%. Following further sale of stock in 2004 and 2005, the government share fell to 70.9%. Meanwhile, the debate continued. In 2005, left-wing academics Helge Ryggvik and Ole Andreas Engen (2005, 56), in cooperation with the SAFE union of oil workers, issued a report proposing an alternative petroleum policy, arguing that the state should fully renationalize the company.

In 2007, when Statoil merged with the oil and gas division of its rival Norsk Hydro, which had a majority of private shareholders, the state share of the new company fell to 62.5%. However, in subsequent years the government bought back shares to raise its stake to 67% again. Although this was not what Ryggvik and Engen had envisaged, the partial privatization of Statoil and, later, the retention of an absolute majority of the shares by the government represents a typical Nordic compromise between state and private ownership, each of which is championed by different political parties and interest groups (see also Berrefjord and Heum 1990, 46).

The Sovereign Wealth Fund

The oil price hikes in the 1970s made it clear that the flow of petroleum revenues was determined by exogenous factors that could be neither controlled nor predicted. A consultative committee, led by the Director of the Central Bank, Harald Skånland, was appointed to come up with suggestions for how to handle such fluctuations. The committee proposed that the state's petroleum revenues should be decoupled from its budget expenditure by saving the revenues in a fund. It also proposed that the fund should be placed in international capital markets to avoid overheating of the Norwegian economy (Lie 2012, 151). This fund was finally established in 1990 (Steigum 2002, 7).

The creation of the sovereign wealth fund was also associated with the departure from the policy of limiting the expansion of oil and gas extraction. This had been a central element of Norwegian petroleum policy and policy debates in the first half of the 1970s but had gradually faded

(Ministry of Finance 1974, 6; Kristoffersen 2014, 20; Bergesen 1975, 52). The first departures from the policy of limiting the growth of oil and gas extraction were counter-cyclical economic measures taken during periods of economic crisis (Ryggvik 2009, 150). As the petroleum sector and its clout grew, vested interests within the sector started pushing harder for expansion. When the financial spokesperson for the Conservatives, Per Kristian Foss, proposed that petroleum development should be slowed down, he was met by a 'storm of protest' from the oil companies (Ryggvik 2009, 194). The creation of the sovereign wealth fund marked the death knell for self-imposed limitations on oil and gas development: it could now be argued that there was no need to limit the pace of oil and gas extraction, because any surplus created could be placed in financial assets abroad—earning more interest than resources in the ground while avoiding overheating of the Norwegian economy.

Spending the Proceeds

Entertainingly, many Norwegians refer to the sovereign wealth fund in English as 'the fun', presumably due to problems with English pronunciation, as the final 'd' is often silent in the equivalent Norwegian word, *fond*. Over the years, most actors came to see the fund as a good thing, nonetheless many aspects of fund management continued to be debated and adjusted (see Langved 2014; Linderud and Langved 2015; Haram and Senel 2015).

In 2001, the Labour government of Jens Stoltenberg introduced the 'fiscal rule', according to which a maximum of 4% of the fund's value—equivalent to the expected annual capital gains after inflation—could be spent per year (Holden 2013, 871). The right-wing Progress Party opposed this and stated explicitly in its party programme that the fiscal rule should be slackened: 'The Progress Party has always believed that the petroleum fund, which is overflowing with money, should be used for investments in Norway to ensure that we have good hospitals, homes for the elderly, schools and infrastructure for future generations' (FRP 2016). Also members of other political parties have argued that the money should be invested in Norway

rather than in international financial markets. 'Spend the money on schools, medical care and roads', an MP from the pro-agrarian Centre Party said in 2002, criticizing his own party for failing to secure sufficient funds for rural parts of the country (Kopland 2002).

Trying to rein in the urge to spend the country's wealth, the Governor of the Central Bank proposed in 2012 that the limit set out by the fiscal rule be reduced from 4% to 3% (Olsen 2012, 7). Also other Norwegian experts—such as former Director of Statistics Norway, Hans Henrik Scheel and Professors Hilde Bjørnland and Steinar Holden—argued for stricter curbs on spending (Haug 2014).

Humphreys and Sandbu (2007, 195, 216) state that the limitations on what Norway's sovereign wealth fund can do are actually 'extremely weak', that the fiscal rule is in fact an informal convention rather than written law and that it is mainly the broader societal context that limits the actions of policymakers and fund managers. They believe that, in a different context, the fund would be unlikely to function as successfully (see also Stevens and Dietsche 2008, 60).

Where to Invest?

Initially, the fund was invested exclusively in foreign government bonds, but in 1997 the Storting voted to place 40% of the fund's capital in foreign stocks. In 2007, the Ministry of Finance decided to increase the ratio of stocks from 40% to 60% (NBIM).

Many different actors contributed to discussions about the allocation of the fund's capital. Arne Jon Isachsen, a professor at the Norwegian Business School, has been active in the debate about the petroleum fund's investments by appearing in the media, blogging and participating in public seminars. For example, in 2004 he recommended that the fund invest in real estate in addition to stocks and bonds, arguing that it would bring diversification while helping to prevent the fund from becoming too influential on the world's stock markets (Isachsen 2004, 3). The Norwegian government decided in 2010 that up to 5% of the fund should be invested in real estate.

Investor and billionaire Øystein Stray Spetalen has on many occasions harshly criticized the management of the petroleum fund. Particularly

critical about the use of foreign companies to handle fund investments, he has branded the fund's investment strategy a 'total failure' (Spetalen cited in E24 2011), and its stock market investments 'madness' (cited in Nervik and Haugan 2011). It is not clear whether Spetalen has had much influence, but he is one of the many different people involved in the public debate on how to handle Norway's petroleum wealth.

Ethical Guidelines for Fund Investments

In 2001, a Human Rights Council was established by the Ministry of Finance to help the fund avoid getting involved in human rights violations through its investments (Etikkrådet 2015). However, some actors wanted a stronger structure to ensure ethical investment of the fund's vast holdings, with clearly defined guidelines and a Council on Ethics with a broader scope than the Human Rights Council. These were ultimately created in 2004, after considerable public debate (RORG 2015).

At first, almost all politicians and the entire bureaucracy had been against the idea of imposing further ethical requirements, fearing that it would cause the fund to lose money. For example, outspoken author and journalist Erling Fossen (2002) was highly sceptical that a petroleum fund could be an ethical investor. Others, such as a commentator in *VG*, the country's largest newspaper, were more optimistic (Staavi 2015). Yet, civil society continued to push for the creation of a Council on Ethics—and once the council had been established, political players across the board were proud of it. This is thus an example of the successful influence of civil society on Norwegian petroleum revenue management.

A broad range of civil society actors contributed to the public debate that led up to the creation of the ethical guidelines and ethics council. In March 2002, the NGO Framtiden i våre hender [The Future in our Hands] published a report concluding that the fund had invested in companies that damaged the environment and violated human rights (Bay 2002). In June 2002, an expert on international law, Asbjørn Eide, harshly criticized a set of ethical guidelines proposed by the government. 'This is not good enough. Even if the Storting approves the proposal from the government, many of the fund's investments will not

be in the spirit of international law' (Eide cited in Ergo 2002). Prior to the parliamentary vote on the ethical guidelines, the Norwegian Forum for Development and Environment, a network of 50 Norwegian developmental, environmental, peace and human rights organizations, produced recommendations for the contents of the ethical guidelines (ForUM 2003).

In the end, the government-appointed Graver Commission recommended the creation of a Council on Ethics and a set of ethical guidelines (NOU 2003, 22). The composition of the Graver Commission provides another example of the involvement of relatively diverse actors in Norwegian policy discussions: Hans Petter Graver (Professor, law), Jarle Bergo (Deputy Director of the Bank of Norway), Alexander Cappelen (Associate Professor, economics), Ola Löhman (Swedish consultant), Janne Haaland Matlary (Professor, political science), Gro Nystuen (PhD candidate, law), Bente Rathe (businesswoman), Lasse Ruud (company director), Per Sandberg (engineer) and Anne Kristin Sydnes (Special Advisor and former Minister of Development).

The five members of the Council on Ethics are appointed by the Ministry of Finance. They do their work not as government employees but as individuals with academic expertise, high-level experience from private business or links to civil society (Etikkrådet 2016). The council receives a steady flow of suggestions from NGOs and other organizations concerning specific companies or business areas that should be banned from the fund's holdings. As a result, it functions as a channel for contact with civil society, and the public debate over the council continues, with input from organizations such as Amnesty Norway, Nature and Youth, Bellona, Friends of the Earth Norway and individuals such as business development specialist Terje Osmundsen.

Environmental Policy Issues

Exemplifying the continuing debate surrounding the sovereign wealth fund are the efforts of the Rainforest Foundation to stop the fund from investing in companies that contribute to the destruction of tropical forests (Regnskogfondet 2014). Also the Church of Norway

has contributed to the debate, arguing that the overarching goal of the fund must not be to achieve the highest possible returns and encouraging it to prioritize climate change and poverty reduction. 'Faith in … God makes sustainable management of His creation, compassion and solidarity with future generations, poor and marginalized people, indispensable values for the Church of Norway', the Church wrote in a statement after its 2013 synod. It also had several specific suggestions, for example, that 5% of the fund should be invested in poor countries, rising to 10% over time (Den norske kirke 2013). These suggestions have not yet been followed up.

One area of particularly active debate has been whether the fund should invest in coal companies. In 2014, the NGOs Framtiden i våre hender, Greenpeace and Urgewald published a report on the fund's investments in coal. They found that NOK 82 billion was still invested in 156 coal companies, a figure far greater than previously admitted by the fund managers (Linderud 2015; Jorde 2014; Schücking 2014). An expert group led by former high-ranking Ministry of Finance official Martin Skancke in 2014 advised the government not to pull out of all coal companies, arguing that the fund is a more ethical shareholder than most others and that it is easier to influence the companies from within. 'Coal mining in itself is not an ethically reprehensible activity', they held (Skancke cited in *Dagbladet* 2014). However, the Storting ultimately voted that the fund should withdraw from coal-related investment, starting from 1 January 2016. Civil society had won again.

Another example of the growing importance of environmental issues in the public debate about petroleum policy concerned whether to start using natural gas to generate electricity, which had previously been generated almost exclusively from hydropower in Norway. In March 2000, after a protracted public debate, the minority government lead by the Christian Democrat Kjell Magne Bondevik stepped down when the opposition parties forced through changes to the legislation on pollution to facilitate the building of gas power plants at Kollsnes and Kårstø in western Norway. The Bondevik government chose to relinquish power rather than retract its climate policy pledges (Balke Hveem 2016).

Oil Exploration in the Lofoten and Vesterålen Archipelagos

One of the most controversial petroleum policy issues after the turn of the millennium was whether to carry out an environmental impact assessment of potential petroleum extraction in the seas off the Lofoten and Vesterålen archipelagos in the Arctic part of Norway. This area was expected to hold vast oil and gas resources but is also a spawning ground for some of the world's richest fish stocks and an area of great touristic potential (Overland and Krivorotov 2015). An environmental impact assessment was considered by many as the first step towards oil and gas extraction there.

In 2009, the Popular Campaign for an Oil-Free Lofoten and Vesterålen [Folkeaksjonen oljefritt Lofoten, Vesterålen og Senja] was founded, bringing together several smaller initiatives (Hegnar 2009). In 2010, three of the most active environmental organizations in Norway—Bellona, Friends of the Earth and Nature and Youth—presented a joint statement to the government concerning petroleum activity in Lofoten and Vesterålen, recommending permanent protection (Pedersen 2010).

By contrast, at the time many local politicians were lobbying in favour of oil exploration, eyeing oil-related jobs and business opportunities for their municipalities. In 2011, some 20 mayors from municipalities in the northern counties of Nordland and Troms arrived at the office of Prime Minister Jens Stoltenberg, demanding the expansion of petroleum exploration to their areas (NTB 2011). Despite these efforts, the Stoltenberg government (a coalition of the Labour Party, the Centre Party and the Socialist Left Party) decided to put petroleum activity in Lofoten and Vesterålen on hold. In 2012, 17 mayors, deputy mayors and the district administrator in Nordland and Troms made similar demands as their colleagues had in the previous year. The spokesperson for these politicians told the journalists present: 'We are doing this together because we are eager to have a taste of the good life. We don't want to fall behind and to be put on hold indefinitely. We make this appeal hoping that it will put pressure on the government' (cited in Ree 2012).

In 2014, a report prepared by the analytical consultancy Rystad Energy and sponsored by the Norwegian Oil Industry Association concluded that opening the maritime areas off the Lofoten and Vesterålen archipelago to petroleum exploration would generate more than 1000 jobs in the region (Rørstad and Thonhaugen 2014). Following the publication of the report, Geir Seljeseth of the Norwegian Oil Industry Association stated: 'In order to extract oil and gas off Lofoten, Vesterålen and Senja, the companies will spend NOK 60 billion annually for a long period of time. This means a lot of jobs and activity…' (cited in Rørstad and Thonhaugen 2014).

The oil companies argued vigorously that opening Lofoten and Vesterålen to the petroleum industry could counteract the expected fall in production from existing fields on the Norwegian continental shelf after 2020. In 2014, one of Statoil's Directors, Arne Sigve Nylund, stated: 'Exploring new areas is important in order to acquire new acreage. It's important because we wish to support long-term development in the north' (Nylund cited in Mogård and Stav 2014).

At the time, the issue had been put on hold by the government until 2017. This represented a compromise between the two governing parties (the Conservatives and the Progress Party, both in favour of launching an assessment of the area for oil exploration) and the two parties in the Storting supporting their minority government (the Liberal Democrats and Christian Democrats, who were opposed to oil development). The local branch of the Progress Party in Northern Norway expressed dissatisfaction with the Party's central leadership because it had compromised with the other parties by agreeing not to open up the area to petroleum exploration (Lysvold 2013).

Conclusions

According to the standard Norwegian encyclopaedia, 'The history [of the Norwegian petroleum sector] is not one of unilineal development characterized by a gradual, harmonic approach to the challenges faced. Even in cases where permanent solutions were found there was often a complicated prehistory characterized by conflicting interests and confrontations'

(*Store norske leksikon* 2016; see also Wyller and Wyller 1975, 8). Unravelling the (relative) success story of Norwegian natural resource management is therefore complicated, and civil society involvement and open public debate are not the only important elements of Norwegian petroleum governance. During the early years of the country's oil and gas development, most important choices were made by a small number of decision-makers in government, with scant input from the broader society. This may partly have been because there was little understanding of what was at stake. In a letter to the Foreign Ministry in 1958, the Geological Survey of Norway stated 'One can disregard the possibility that there is coal, oil or sulphur on the continental shelf along the Norwegian coast' (Geological Survey of Norway 1958; see also Naustdalslid 1975, 15). When Phillips Petroleum contacted the Norwegian authorities in 1962 about the possibility of conducting exploration off the Norwegian coast, the prominent Norwegian statesman Trygve Lie replied: 'I think you are mistaken. Norway has no oil or gas' (Lie cited in Helle 1984, 25; see also Berrefjord and Heum 1990, 29).

Especially during the early years, but also later, many factors other than civil society and public debate were decisive for Norwegian petroleum governance. Here we should note the existence of well-functioning political parties, competent and well-intentioned government officials and the separation of powers and division of labour within government and between government and the private sector (Berrefjord and Heum 1990, 32).

The character of government officials seems to have been particularly important. There was relatively little corruption; moreover, officials often took a technocratic view of the petroleum sector, a view supported by academics and other independent experts, ensuring a considerable technocratic element in the evolution of Norwegian petroleum governance (Wyller and Wyller 1975, 8; Naustdalslid 1975, 27). Especially during the two first decades of the Norwegian petroleum era, economists at the Norwegian School of Economics (NHH), Statistics Norway and the University of Oslo played important roles (see Eide 1974; Aarrestad 1978; Bjerkholt et al. 1981; Bjerkholt and Offerdal 1985). The economists at the Ministry of Finance had a particularly strong and independent role (Steigum and Thøgersen 2014, 4), almost in the style of the BBC comedy series *Yes Minister*.

Also later on, technocrats continued to play an important role. The decision on partial privatization of Statoil was propelled forward by a small number of people who employed technocratic arguments, not by public discussion and support (although that also took place). The numerous populist initiatives for spending the oil revenues—such as a proposal by Høibraaten (2016) that the sovereign wealth fund be paid out to the citizens in annual instalments of NOK 250,000—were kept at bay by the technocratic forces (see also Moene 2017).

However, some qualification is needed regarding this interpretation of the early days of Norwegian petroleum development as driven by technocratic elites, well-organized government institutions and established political parties without significant interference from society. Firstly, the technocrats were not operating in a vacuum. Norway produces numerous and detailed whitepapers which are easily available, offering an interface between ministerial policy-making and the public. The landmark whitepaper from 1971 containing the 'Ten Oil Commandments' was later followed by many other official documents detailing and discussing government petroleum policy (Stortingets industrikomité 1971, 638; Austvik 2012, 321). By the mid-1970s, the technocrats found themselves facing significant public resistance and debate dealing explicitly and critically with their role (see e.g. Wyller 1975, 172).

Secondly, in the Norwegian context, the distinction between political parties and the broader civil society is blurred. The country has a highly diversified (or fragmented, depending how one sees it) party system, with eight parties currently represented in the Storting and others waiting in the wings—and that with a population of only five million (Tranøy and Østerud 2001, 334). Many of the parties are also affiliated with other sections of civil society—trade unions, business associations, environmental organizations, farmers, the Church and so on. Accordingly, Norway's political parties represent various interest groups, and parliamentary debate fulfils some of the functions of a broader civil society (Ellefsen 1978, 53).

Thirdly, a key aspect of the Norwegian—and Nordic—model is constant compromise. Again, the partial privatization of Statoil serves as an example: those who were against privatization did not get it their way, but neither did those who would have preferred greater privatization and

more companies competing against each other on the Norwegian continental shelf. The Norwegian state retained an absolute majority of the company's shares, while Statoil also gained a significant minority of private shareholders.

Finally, it did not take long for debate to kick in. By the mid-1970s, there were highly informed discussions among experts about what the petroleum revenue should be used for, how it might change the country, how it should be managed, the risk of the national oil company becoming too strong and so on. For example, Bergesen (1975, 51) wrote: 'The question is which problems we can solve through greater government income [from oil], and which we cannot buy our way out of no matter how much money we have'. And 'When the oil extraction comes to an end some day, we will encounter a new difficult transition. How shall we handle this decline? And not least, how long should the oil age last?' (Bergesen 1975, 52). Even before petroleum revenue had much impact on Norwegian society, there was discussion of how to deal with the future decline in revenues.

The awareness of the political dimension of the petroleum sector extended to explicit calls for political debate and for diversity among those appointed to government committees (Wyller 1973, 29, back cover). It was reflected in academic and political publications discussing the political dimension of the development of the petroleum sector, often in the form of edited volumes with many contributors. Some of these appeared early on (e.g. Brotnov 1975), others later (e.g. Olsen 1989). The wave of industrial action among oil workers from 1978 onwards brought these issues to the attention of the broader public.

In an analysis published in the mid-1970s, Hofseth (1975, 42–43) provides an overview of societal actors relevant for the petroleum sector. These were as follows: Statoil, other oil companies, the supply industry, non-petroleum-related industry, service industry, parliament and government, public financial and administrative bodies, *public social administrative bodies*, *coastal municipalities*, *inland municipalities*, *workers*, *fishers*, *farmers*, *environmental NGOs*, *groups concerned with solidarity with developing countries*, *public energy bodies and taxpayers* (italics added). Today that list might look different, but the point is that already at that early stage, before many of these groups had really become engaged in any public debate of petroleum policy, people were thinking and writing

about the plurality of interests and voices. This also illustrates another important aspect of the Norwegian system: its capacity to anticipate and prepare for issues before they arise.

The answer to the question posed at the beginning of this chapter is therefore that civil society and public debate *did* play a decisive role in the development of petroleum governance in Norway. However, they were not the only factors involved. The Norwegian experience is characterized by having many legs to stand on, including strong technocratic elements, the parliamentary multi-party system, a culture of compromise and of looking forward.

Skredderberget (2015) argues that the most important lesson to be learned from Norway is that it is important to be lucky (see also Ryggvik 2009, 64). Three examples can serve as illustrations of this luck. First, the Ekofisk oilfield, the discovery of which launched the Norwegian petroleum boom in 1969, is located near the maritime boundary between Denmark and Norway and might have ended up being Danish (Hanisch and Nerheim 1992, 47, 50). Second, the decision to change the sovereign wealth fund's ratio of stocks to bonds from 40/60 to 60/40 seemed to be driven by rising stock values—a typical greedy-investor error. However, it took time for the government apparatus to implement this change—and by the time it did, it so happened that stocks had fallen significantly. In trying to implement a bad idea, Norway got lucky and ended up buying cheap stocks and making a lot of money. Third, the behaviour and roles of key actors in the early phase of Norwegian petroleum development—for example, Finn Lied, Jens C. Hauge and Arve Johnsen—seemed dubious, but they established a petroleum governance system that performed well for decades.

Amid the self-congratulatory backslapping over the success of Norway's management of its natural resource wealth (Ryggvik 2009, 13–14; Moene 2017), it is important to remember that such strokes of luck are an important part of the story. But we should also note that other aspects of Norway's luck included having in place, before the oil deluge, a lively civil society, an unfettered public debate, diverse media outlets, a competent and technocratically oriented bureaucracy and low levels of corruption and conflict. All those factors are related to structural aspects of society, making them difficult but not impossible for other countries to achieve.

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Notes

1. For a discussion of what constitutes a national oil company, see Victor et al. (2012, 4).

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14

Qatar: The Context of a Hydrocarbon-Funded Social Contract

Steven Wright

Introduction

Although Qatar is a member of OPEC, it is a comparatively marginal oil producer compared to other member states in the cartel. It is Qatar's natural gas resources that define the country's hydrocarbon sector and distinguish its economy from those of neighbouring states. The country's North Gas Field, discovered in 1971, is the largest non-associated natural gas field in the world. The field spans an area of around 6000 square kilometres and is shared with Iran. As of 2016, Qatar was the leading global exporter of LNG. It also exports roughly 1.6 million barrels per day of oil and other hydrocarbon liquids, of which 730,000 barrels are crude oil. The oil and gas sector's share of the national economy has grown substantially, particularly since 2000. This has had a transformative impact,

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generating wealth through high levels of sustained economic growth. From 2012 to 2015, real GDP growth averaged around 6% per year, thanks to the confidence and revenue generated by the petroleum sector. This enabled the government to attract targeted inward investment prior to the global downturn in prices in mid-2014.

This chapter covers the historical evolution of the hydrocarbons sector in Qatar and the remit of the national oil company, Qatar Petroleum, and moves on to examine Qatari civil society and its growing scope and role. The chapter then offers conclusions on the role of civil society in influencing decision-making on energy policy.

Qatar's Petroleum Sector

The development of the petroleum sector in Qatar followed progressively from the discovery of oil in 1939 in Dukhan, in the western part of the country. The full exploitation of Qatar's oil and natural gas resources has had a defining impact on the country's economic development, enabling it to grow substantially. In the period immediately after the discovery of hydrocarbons, Qatar signed an agreement with the US-based Central Mining and Investment Corporation to develop the petroleum sector further in partnership with US company Superior Oil (Uthman 1984). With no significant discoveries having been made, the concession was withdrawn, and the government of Qatar decided to award a concession to a subsidiary of the UK/Dutch company Royal Dutch Shell in 1952, which ultimately proved to be a defining decision (Crystal 1995). This partnership generated sufficient revenue for the country to move away from the traditional form of political rule without government welfare provision, to a bureaucratic governance system that included welfare provision, infrastructure development and the provision of basic services, including schools.

Up until 1971, Qatar was a British protectorate, and therefore it had effectively ceded control of its foreign relations (Onley 2004). However, it did join OPEC in 1961, and during the 1960s, it progressively developed its oil sector in partnership with Shell (Uthman 1984). In 1963, an offshore field was discovered at Maydan Mahazam, and by 1964 production had started at the offshore Al-Sharqi field. In 1968, the UK announced

that it would be ending its presence as an empire east of Suez, which effectively meant that the protectorate arrangement that had been maintained since 1916 would end by 1971. Britain had afforded Qatar both stability and security, and the announcement of the impending British withdrawal was an unwelcome turn of events to all Gulf rulers (Sato 2009).

By 1973, the government of Qatar had begun the process of progressively increasing its shareholding in companies operating in the oil sector. By 1977, this had grown to total nationalization of the sector (Uthman 1984). Since nationalization, Qatar Petroleum has enjoyed full control over all aspects of the oil and gas sectors. As a company, it is accountable to the Ministry of Energy and Industry, with the Chair of the Board being the Minister of Energy. Unlike the situation with Saudi Aramco in Saudi Arabia, international energy corporations remain involved in Qatar's oil and gas sector (Hults et al. 2012). This is permitted on the basis of specific agreements on joint venture projects, which range in scope from exploration licences to development and production-sharing agreements. As in other countries, joint ventures with the national oil company have allowed Qatar to benefit from research and development, financing and investment, as well as the development of various sectors, ranging from petrochemicals to liquefied natural gas (LNG).

As a company, Qatar Petroleum's scope extends beyond the exploration and production of Qatar's vast energy reserves. Its legal remit includes overseeing upstream production, processing and refining, petrochemicals manufacturing and heavy metal industries. For example, it holds a 50% share in the aluminium producer Qatalum (a joint venture with Norsk Hydro). As Qatar's petroleum sector is dominated by the national champion, the role of civil society must be understood within the sociopolitical context and government development policy, both of which will be addressed in the subsequent sections.

Decision-Making Institutions

The discovery and exploitation of Qatar's vast hydrocarbon resources contributed to the rapid transformation of the country's society from an informal and traditional tribal rule-based system to one where

government is formalized through constitutional and legislative frameworks, and government itself has become an institutionalized process. The grey areas in the decision-making process are often a result of the traditional informal tribal system and contemporary formalized systems working side by side, and the decision-making process tends to be opaque.

To contextualize civil society in today's Qatar, it is important to understand how it has evolved following independence in 1971. Qatar's first move towards a constitutional form of governance occurred in the period immediately prior to British withdrawal, with the adoption of the Basic Provisional Law in 1970. This also reflected the new social and economic order in which Qatar found itself. Historically it had been ruled by an unwritten code of governance, but, with the population boom and rise in wealth following the granting of oil concessions, this traditional system was proving inadequate (Fromherz 2012). The Basic Provisional Law provided the foundation for the modern state and stipulated a defined law on citizenship and procedures to establish the rule of law. The hereditary rule of the Emir was also confirmed in the Constitution, whilst the legal code was premised on Islamic Shari'a law, which requires rule to be based on consensus and for the citizenry to pledge their loyalty and absolute obedience to the Emir. In essence, such provisions formalized the basis of rule as an authoritarian system of governance that draws on consultative practices, and it is on this principle that the role of civil society in the decision-making process should be understood.

Against this backdrop, some observations can be made with regard to the role of individuals in the policymaking process (Kamrava 2009). Qatar and the Arabian Peninsula can be distinguished not only by their Islamic character but also, crucially, by the fact their societies are structured tribally. In the Arab Gulf states, elite-level alliances amongst tribes present a historical mosaic of overlapping spheres of influence and control that have figured prominently over the course of their evolution into modern nations (Joffe 1994). The nature of these tribal relationships is evident also today, as geopolitical relations amongst the Gulf countries are conducted not only in relation to national interests but also through tribal structures (Wright 2012). Although there is a bureaucratic system in place, Qatar's political culture lends itself to a decision-making elite that is both centralized and small. This translates into the idiosyncratic

but significant way in which the elite decision-makers influence government policy. In the case of the petroleum sector, the Minister of Energy and the Head of Qatar Petroleum can have a decisive impact on the overall direction of national petroleum policy beyond what might be the case in other states. The role of the Emir is decisive in determining the degree of government expenditure of petroleum revenues.

The role of the national Consultative Assembly, the *Majlis al-Shura*, was reformed by the current Constitution, which came into force in 2005. The Constitution stipulated that the *Majlis al-Shura* should be made up of a majority of directly elected members and should serve as the legislative body of Qatar. Since 1970 it had been a fully appointed chamber without any legislative mandate. At the time of writing, the government had still not implemented this provision of the 2005 Constitution, and the *Majlis al-Shura* remains a fully appointed assembly without any independent legislative capacity. Citizens can only vote for members of the Central Municipal Council, which oversees general local services and building codes and real estate registration. When elections began for the Central Municipal Council in 1999, some 248 candidates contested the 29 seats available for a 4-year term of office. A campaign to promote a role for women saw six female candidates stand for election. Only 21,995 Qatari citizens registered to vote, out of total population of 586,770 that year. Here it should be noted that Qatar has experienced a rapid increase in its expatriate population: by the end of 2016, its total population was over 2.6 million, with the majority of these being expatriates.

Subsequent elections have largely been constrained by voter apathy and driven by the limited remit of those standing for election (Kamrava 2013). Therefore, although Qatar's political system has evolved towards wider enfranchisement of civil society, governance remains based on an authoritarian system which draws from limited traditional consultative practices.

Civil Society in Qatar

It is notable that there are no political parties or trade unions in Qatar, as national laws do not allow for their formation or operation. Moreover, despite the Islamic character of society, religious clerics do not play a role

in the political domain. Whilst some of them may comment on regional politics in their sermons, they do not influence energy policy or revenue expenditure, except for stressing the need for just use of wealth by individuals, in line with Islamic doctrine. In line with the tribal basis of the society, the main societal mobilizing force is through extended family networks, but this is conducted through informal mechanisms and does not promote a formal voice in national policy. The focus is on advancing the interests of the extended family network; the tribal hierarchy gives formal input on national policy only when consulted.

Nevertheless, a comprehensive study on attitudes in Qatari society indicates that politics and democracy are secondary concerns for the majority of the native population, as economic welfare is the primary area of interest (Gengler et al. 2013). Qatar has one of the highest GDPs per capita in the world as well as a distributive social contract whereby its citizens enjoy exceptional benefits (Mitchell 2013). Qatari citizens want to see this maintained or even further enhanced, rather than being rationalized. That sets the context in which the various elements of civil society function and the degree to which they can influence aspects of governmental policy more widely, particularly as regards how Qatar Petroleum operates. The citizenry's focus on maintaining or further enhancing the country's generous welfare provisions leads to a certain amount of disdain for fiscal conservatism (Mitchell 2013).

However, the national population (i.e. Qatari citizens) do express themselves through the media, and this is channelled largely through newspaper columns, social media or the radio phone-in show 'My Beloved Country', which gives citizens an opportunity to express their views publicly on social issues or on the running of government entities (Fromherz 2012). Although the media have become more expansive since 1995, limitations will be discussed below which inhibit their ability to play a meaningful role in key sectors such as oil and gas. Nonetheless, this radio phone-in show has allowed citizens a voice on how revenues are managed and allocated. In addition to this radio show, social media have also proved to be an effective means for civil society to express itself. An interesting example of this was the scrutiny to which the Qatar Museums Authority, a government-funded agency, was subjected in 2013–2014. A social media campaign focused on the ratio of Qatari nationals to expatri-

ates, and the benefits packages enjoyed by expatriates in senior administrative functions. By April 2014, the museum had initiated a rebranding and an administrative restructuring programme.

Whilst the media have an important role to play in monitoring and allowing for comment on all governmental sectors, the impact is still very much in its infancy. Qatar's Al Jazeera news channel, for example, broadcasts critical reports on international news items. However, journalists can be prosecuted if they criticize the Qatari government in what can be perceived as an unbalanced manner or on topics that relate to how the government engages with Islam or the ruling elite. Although Al Jazeera has proven itself an effective tool in Qatar's soft-power diplomacy and state branding, it has also been subject to criticism. It is indeed an established and highly credible news organization, but some critics argue that there is an inherent bias in its coverage and also a difference in the style of reporting between the channel's Arabic and English output (Ulrichsen 2014). The coverage given to the 2011 uprising in Egypt, for instance, and the subsequent election of the Muslim Brotherhood's candidate, Mohamed Morsi, to the Egyptian presidency, has been seen by some commentators as evidence of such a bias (Ulrichsen 2014). With the establishment and subsequent closure of Al Jazeera Mubasher Misr, a station which provided live and extensive coverage on the politics of Egypt, accusations of bias in reporting have been part of an effort to undermine the credibility of the news organization. The impact of Al Jazeera or the domestic media on the hydrocarbon sector in Qatar is curtailed when it comes to engaging in critical debate on national energy strategy or revenue expenditure.

When Qatar's censorship laws were repealed in 1995, and the Ministry of Information and Culture was abolished in 1998, these indications that Qatar was proactively supporting the promotion of free speech were welcomed internationally, and it helped promote the view of Qatar as a progressive state amongst its Middle Eastern peers. However, there is still no freedom of information law ensuring the right to access information held by the state. Government data can be difficult to access, and official reporting, especially relating to the strategically important energy sector, does not provide a full and complete account of the sector's operations, strategy or technical challenges. In the absence of laws that could support

the free flow of information through independent media, it is difficult for the media to play a meaningful role in monitoring progress or influencing policy in the petroleum sector.

Since 1995, Qatar has seen rapid growth in the number of universities and think-tanks, which has advanced the scope and vibrancy of civil society. The establishment of the Qatar Foundation has been instrumental to the engagement Qatar has enjoyed from internationally prominent universities and think-tanks (Kamrava 2013). Headed by the charismatic wife of the former Emir, Sheikha Moza bint Nassir, the Foundation spearheaded the development of Education City, which hosts branches of a range of American universities, including Virginia Commonwealth University, Weill Cornell Medical College, Texas A&M University, Carnegie Mellon University, Georgetown University School of Foreign Service and Northwestern University, as well as the non-US-based universities of HEC Paris and University College London. In addition to these prestigious universities, there are several think-tanks, including RAND Qatar Policy Institute, Brookings Doha Centre and the Royal United Services Institute (RUSI) and Qatar Foundation's Science and Technology Park. These initiatives have had a two-pronged effect: they have helped in the development of Qatari human capital and have also been important means of developing linkages through soft power. Considered collectively, these institutions have been instrumental in nurturing Qatar as an intellectual hub within the Middle East. Moreover, Sheikha Moza bint Nassir is widely regarded as a pioneer in the role of women in society through education and involvement in political life (Bahry and Marr 2005).

Civil Society Influence on Energy Policy

Whilst the international universities and think-tanks in Qatar indicate an expansion in scope and scale in this sector, their role in influencing energy policy must be said to be narrow in scope: the universities in Qatar Foundation's Education City are small, they do not operate as comprehensive universities, and each institution offers a small number of degree programmes with a small but selective student body. This is reflected in

the number of faculty and researchers in these institutions, which itself limits the production of influential policy-relevant research.

The Qatar Foundation's National Priorities Research Fund (NPRP) is the primary vehicle for research funding in the country. Research into the energy sector is classified as a national priority, and submissions are encouraged from any researchers linked to an institution of higher education or think-tank in Qatar. Grants awarded in the energy sector tend to be related to petroleum engineering, with the focus on the physical sciences, rather than on the social science aspects of petroleum or gas policy (Al-Taie 2012). This is largely explained by the lack of research capacity in Qatar on these aspects of energy policy. Overall, although relations between the petroleum sector and technical/scientific researchers in Qatar are good, there is much less collaboration with energy policy analysts, given the absence of a critical mass of research specialists in this field.

Complementing these activities are the leading international conferences that the government sponsors each year in Doha, one example being the World Innovation Summit for Education (the WISE Initiative), run by the Qatar Foundation, which seeks to establish what some have labelled the 'Nobel Prize for Education'. Such activities are a clear sign of Qatar's engagement in multilateral frameworks. Other government-hosted conferences see numerous world leaders, intellectuals and corporate elites gravitate towards Doha each year, with the net effect being the showcasing of the progressive nature of the country and its international branding as such. In 2012 Qatar hosted the United Nations Climate Change Conference (COP-18), at which agreement was reached on extending the Kyoto Protocol. The fact that Qatar could host such an important event has been highlighted by some authors as signifying the vibrancy of civil society in this area (Ulrichsen 2014). However, it could also be taken as evidence of the willingness of the government to commit substantial financial resources for state-branding activities at the international level—and not as a reflection of the vibrancy of civil-society or its role in policymaking.

Such advances in the scale of academia and think-tanks are taking place in the context of the Qatar National Vision 2030 and the National Development Strategy 2011–2016. Research institutions have had some impact on environmental aspects of energy policy. One example is the

Qatar University Centre for Energy and Sustainability Law (CESL), established in 2011, which has played a proactive role as a forum in which Qatar Petroleum, government ministries and related energy companies can debate and discuss how to balance energy policy against environmental sustainability. CESL is intended to serve as the first long-term think-tank in the Middle East focused on energy law, thereby providing a platform for integration between industry, government agencies and even academia. The Qatar Foundation's Qatar Environment & Energy Research Institute (also established in 2011) has a similar mandate and focuses on the promotion of environmentally sustainable practices in the energy sector.

Qatar has been branding itself internationally and solidifying its soft-power base through the manner in which it profiles itself in terms of energy sustainability (Ulrichsen 2014). Although Qatar is the world's leading exporter of LNG and gas-to-liquids, it has also invested heavily in clean-energy research and development activities. Furthermore, Qatar's involvement in sponsoring COP-18 underlines its commitment in environmental issues. The scale of this engagement in clean energy is compelling. As of 2009, more than 100,000 people were employed in 22 local and international clean-energy companies, and Qatar had begun building a reputation as one of the world's leading green industrial zones, thanks to the focus on clean gas (Ulrichsen 2014). Qatar has set about crafting a reputation in this important area and is connecting with multinational companies. This not only provides reputational advantages for the country and state-run companies engaged in these activities: it also translates into a widening space for societal inputs into energy resource management.

When Qatar's research institutions do get involved in the energy policy sphere, the focus is mainly on the environmental aspects—not the broader field of national, regional or global energy revenue allocation, energy-related geopolitical risk analysis or energy strategy development. In 2015, Qatar's former Energy Minister announced the creation of the Abdullah Bin Hamad Al Attiyah Foundation for Energy and Sustainable Development, intended as an independent energy think-tank with a scope that would allow for debate and scrutiny of national energy policy, in addition to focusing on global energy trends.

Therefore, although a form of civil society has been growing rapidly in Qatar in the form of academia and think-tanks, their role in actually influencing Qatar's energy policy has been largely limited to environmental sustainability. The indications are, however, that this will progressively change, especially given the emergence of new bodies which have a broader remit. It is notable that the Gas Exporting Counties Forum (GECF) is located in Doha. It plays an important role in supporting understanding and collaboration between member states in relation to gas market policy. Qatar's collaboration and engagement with the Joint Organization Data Initiative (JODI) can also be understood as a progressive move towards collaborative energy modelling.

Concluding Observations

It is clear that various civil society actors in Qatar are playing a progressively more significant role in influencing how petroleum resources and revenues are managed. Given the socio-political context in which decision-making takes place, the role of elite decision-makers in the government has a decisive impact on how revenues are used. Nevertheless, the actors within civil society who have emerged as having influence over how petroleum resources and revenues are managed appear to be found primarily in academia and think-tanks, followed by companies engaged in joint ventures in the oil sector. Here, the focus has been on sustainable development, with an emphasis on the usage of revenues for environmental sustainability purposes. Their role can be understood as leading to gradual enhancement and development of policy.

The media have a lesser bearing, but within the social media domain, the government has shown itself to be responsive to societal concerns about how resources are managed and allocated. Political parties and trade unions are illegal in Qatar, and religious groups are not formally organized. However, their part in influencing how revenues are used may change in the future, if the Constitution is fully implemented so that an elected legislative chamber comes into being. Especially pertinent has been the role of extended tribal family networks, whose concerns or opinions on any perceived mismanagement of oil and gas revenues can be expressed informally.

In Qatar, the initial role of the energy sector was to enable the continuation of a distributive rentier economy, whereas civil society was generally passive in the decision-making process. Given the decision-making system, elite individuals and their outlook remain the most powerful means of influencing the direction of policy. With the coming to power of Sheikh Hamad bin Khalifa al-Thani in 1995, Qatar moved towards greater enfranchisement of civil society. The rapid expansion of wealth in the country, coupled with the expansion of civil society actors, has gradually resulted in increased scrutiny of the use of energy sector revenues. Energy policy relating to output and supply contracts is largely unknown, and there have been few, if any, calls for greater transparency. The focus is on how this revenue is used: public opinion polls show that the primary issue of importance for the populace is economic performance—which is underpinned by the oil and gas sector (Gengler et al. 2013). However, greater awareness of the need for sustainability has led to increased social awareness that the country's energy wealth must be used strategically. Improved dissemination of statistics, social media usage and wider distribution of government and non-government reports could conceivably foster greater civil society awareness and feedback on energy revenue expenditure.

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15

Russia: Public Debate and the Petroleum Sector

Nina Poussenkova and Indra Overland

Introduction

Russia is the world's largest oil and gas exporter and has a petroleum history going back to the country's first oil well and refinery in the town of Ukhta in the Komi Republic in 1745. For a country that is ranked relatively low on most indices of democracy, the involvement of Russian civil society in the petroleum sector has been surprisingly diverse and active in the post-Soviet period. However, civil society's actual influence is limited and declining.

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In this chapter, we provide an empirical overview of the evolution of civil society engagement in the country's petroleum sector from the dissolution of the Soviet Union in 1991 up to 2017. We start by looking at it periodically—first the 1990s and then the 2000s—and subsequently examine the roles of specific types of actors: political parties, industry associations, non-governmental organizations (NGOs), indigenous groups, various media and the general public.

The 1990s

The 1990s were a period of dramatic social, economic and political upheaval in Russia, with the dissolution of the Soviet Union, a weakening state and the rise of gangster capitalism and strong oligarchs. Oil prices were low, Russian oil production was declining rapidly, privatization of the oil industry was underway and the state company Rosneft was in decline. During these years, big business and oligarchs determined the rules of the game in the petroleum sector. Practically all key energy-policy decisions were heavily lobbied by corporate actors keen to carve out wealth for themselves from Soviet oil and gas assets.

Thus, post-Soviet market reforms in the oil sector—including the infamous loans-for-shares scheme whereby major Russian companies were handed over to insiders via rigged auctions—were generally initiated by oilmen. Gazprom was founded on the basis of the Soviet Ministry of the Gas Industry in 1989. The next major transformation of the petroleum sector came with Presidential Decree 1403, which created the private oil companies LUKOIL, Yukos and Surgutneftegas, as well as the state companies Rosneft, Transneft and Transnefteprodukt (Russian President 1992). The new companies were established largely in line with the interests of the powerful individuals who became their presidents. For example, Vagit Alekperov, a former First Deputy Oil Minister, due to his political connections, could hand-pick attractive assets for LUKOIL. In 1994–1995, Slavneft, SIDANCO, Sibneft and TNK were established on the basis of assets from the state-owned oil company Rosneft; consequently, Rosneft shrank rapidly. The unexpected creation of the oil

company Sibneft by a special Presidential Decree on 24 August 1995 posed a further challenge to Rosneft (Poussenkova 2007).

In the 1990s, the oilmen had a powerful lobby in the State Duma: this was the New Regional Policy Party headed by the chairman of the Union of Oil Industrialists, Vladimir Medvedev. In 1994, the Interregional Association of Economic Interaction was formed in the Federation Council, led by Senator Yuri Shafranik, then Minister of Fuel and Energy. Big business also made active use of the mass media under its control to pursue its own goals: LUKOIL owned 41% of the newspaper *Izvestia*, UNEXIM owned 20% of the newspaper *Komsomolskaya pravda* and cooperated closely with the magazine *Expert*, SBS-Agro was connected with the Kommersant publishing house and MENATEP had close relations with the *Moscow Times* (Poussenkova 2011).

The 1990s were also a period when real political opposition existed, as the 1995 State Duma elections and the 1996 presidential elections demonstrated. In December 1995, the Communist Party became the largest party in the Duma with 22% of the vote, whereas President Yeltin's party, Our Home, received only 10%. Yeltsin's popularity had also evaporated, mainly because of the failure of economic reforms, the war in Chechnya and corruption. His presidential election campaign was conducted under the slogan 'vote or lose', with full control over television and with the support of oligarchs such as Boris Berezovsky, Vladimir Gusinsky, Vladimir Potanin, Mikhail Fridman and Mikhail Khodorkovsky. It is noteworthy that Gazprom was used to help Yeltsin win the elections: in 1996, the gas monopoly borrowed 40 trillion roubles, which the government spent on paying pensions arrears (Popov 2007).

During the 1990s, the opposition parties had some impact on the development of the petroleum sector in Russia. For example, the Yabloko party was fairly active on oil and gas issues, especially in promoting production-sharing agreements as a way of attracting foreign investment to the sector. In 2003, when it became clear that oil prices were growing steadily, Yabloko leader Grigory Yavlinsky proposed the creation of the Stabilization Fund (Yabloko 2016). Later, however, Yabloko became gradually marginalized in politics, due to repressive measures and declining popularity.

Though Soviet science collapsed during the 1990s, this period also saw many academics achieve high-level positions in government. A key driver and ideologue of economic reform in Russia was Egor Gaidar, an academic with a PhD in economics, who initiated privatization and managed the process of transition to a market economy. Academician Evgeniy Primakov was Chairman of the Government in 1998–1999. Academics were particularly well-represented in the Ministry of Fuel and Energy: Vladimir Lopukhin served as Minister 1991–1993, Andrei Konoplyanik as Deputy Minister 1991–1993 and Elena Telegina as Deputy Minister 1997–1999.

The 1990s were a period when *glasnost* began to influence the petroleum sector, especially in connection with environmental essues. When there was a large oil spill from an old pipeline in the Komi Republic in 1994, top managers of the company responsible, Komineft, managed to hush up the catastrophe for more than a month, in keeping with the Soviet tradition of secrecy. However, when information inevitably reached the public, Russian and international media provided extensive coverage of the accident, and environmental NGOs such as Greenpeace actively supported the protests of the local population (*Energy Future* 2010; *Neftyanka* 2015).

During the 1990s, there was a trend towards decentralization in Russia. Regional authorities exerted considerable influence on the development of the oil and gas sector in their regions, largely through the 'two-keys' principle: the use of subsurface resources was the joint responsibility of the federal centre and the regions, and the centre and the regions had equal rights (Article 72 of the Russian Constitution). In February 1994, a treaty was signed between the Republic of Tatarstan and Russia on the delimitation of competences and delegation of authority, and special agreements were concluded on the oil sector. During the 1990s, the government of Tatarstan pursued an energy policy that was relatively independent of Moscow and that provided significant fiscal benefits to Tatneft. As a result, the company, with its mature fields, managed to halt the oil production decline, maintaining output at some 24 million tons per year.

To sum up, the 'roaring 1990s' in Russia was a period of social and economic dissolution, decentralization and diversification. The emergent

civil society had some impact on the development of the country's petroleum sector—but far more influential were various powerful business people and politicians operating within the petroleum sector.

The 2000s

From the year 2000 onwards, oil prices rose, crude production began to rise again and life in Russia started stabilizing. This was a period of increasingly authoritarian capitalism and a strengthening state, with further consolidation of the petroleum sector, its creeping renationalization and a renaissance for Rosneft, which started to compete with Gazprom on many fronts (Lunden et al. 2013). Simultaneously, the state tightened its grip on the mass media, freedom of the press was suppressed, liberals were squeezed out of central positions, the opposition was persecuted, strict limitations were placed on NGOs and international oil companies had to cope with rising resource nationalism (on the media, see Jackson 2016, 354).

Vladimir Putin's first presidential term, 2000–2004, was a transition period when a new energy policy was not yet fully formulated. Steps were taken to further liberalize the energy sector: privatization of the oil and coal industry continued, and a programme of market reforms in power generation was approved. However, the government simultaneously increased its influence in the petroleum sector. It banned private pipelines, strengthened state control over Gazprom and postponed reform of the gas export monopoly (Milov and Selivakhin 2005; Overland 2017).

During Putin's second term in office, the attitude of the authorities towards the petroleum sector changed abruptly. After the cabinet of Mikhail Kasyanov resigned in 2004, its successor, the government of Mikhail Fradkov, ceded the initiative on key policy decisions in the energy sector to the President and his administration. The state started intervening far more actively in the oil and gas industry. The fourth State Duma, elected in December 2003, also contrasted starkly with the third State Duma. The new, strong pro-presidential majority made possible the swift passing of legislation. There were still numerous oilmen in the Duma, but they started complying with presidential policy.

The political influence of the oligarchs and heads of petroleum-rich federation subjects subsided. Seeking to deprive the oil and regional barons of their sources of economic power, in August 2004 the State Duma adopted amendments to the Law on Subsurface Resources that abolished the 'two-keys' principle. Moscow took control of licensing: decisions on issuing licenses were now to be made by a federal commission, and the regions were left with only an advisory role in the tenders (Chernobylets and Shadrina 2006).

The power of the once-mighty private oil companies also waned. In the early 2000s, Yukos had been the largest Russian oil company and a trailblazer in many areas. For example, Mikhail Khodorkovsky initiated important pipeline projects that could have significantly expanded Russia's export potential, in addition to giving Yukos better access to foreign markets. Of particular importance was the Murmansk oil pipeline planned by Yukos, Sibneft, LUKOIL, TNK and Surgutneftegas in 2003 (Moe et al. 2011; Overland and Krivorotov 2015).

This unprecedented promotion of private pipelines in Russia and the role of Yukos had posed a serious challenge to the state oil pipeline company, Transneft. It may also have angered the political authorities, since export pipelines in Russia had always been seen as not only transportation infrastructure but also powerful instruments of government energy policy (Orttung and Overland 2011). Mikhail Kasyanov, then Prime Minister, declared that there would be no private pipelines in Russia (Ignatova 2003). And in 2003 the Yukos case started: first Platon Lebedev and then Mikhail Khodorkovsky were arrested, and the destruction of the previously mighty company commenced, aided and abetted by Rosneft (Leonard 2016). The Yukos case marked the end of the Russia of the 1990s and the entrenchment of the new Russia of Vladimir Putin.

Whereas the influence of private oil companies was in decline, the lobbying power of the state companies was on the rise. Gazprom and Rosneft became national champions: it was expected that these companies, by virtue of their vast hydrocarbon reserves and administrative resources, would be able to compete with the global oil majors, protect the national hydrocarbons resources and implement the desired energy policy. These state companies in turn lobbied for changes in the fiscal legislation, in order to ensure an attractive tax regime for their projects and ultimately

the exclusion of all other companies from Russia's continental shelf and the Arctic (Overland 2010; Overland et al. 2013).

In the current Russian context, big business remains the most powerful player by far. However, in addition, there are several types of non-governmental actors that might influence oil and gas policy: professional organizations and associations, small and medium-sized oil and gas companies, the political opposition, researchers and think-tanks, NGOs, including environmental and indigenous rights groups, the media, institutions of higher education and the general population. Their roles are discussed in the following sections.

Business Associations

The Russian Union of Industrialists and Entrepreneurs (RSPP) promotes the interests of the Russian business community, bringing together more than 100 sectoral and regional associations. RSPP consists of several committees, including the Committee on Energy and Energy Efficiency. This committee is headed by Vagit Alekperov, president of Russia's largest private oil company, LUKOIL, and is therefore influential. It is clear from the list of individuals whose views on energy issues were posted on the committee's website in 2016 that it is very much a pro-establishment organization (RSPP 2016).

The Chamber of Trade and Industry (TPP) is a non-governmental, non-commercial organization that represents the interests of small, medium-sized and big businesses, embracing all spheres of entrepreneurship (TPP 2016). For a long time, the TPP's high status and influence was linked to its president, Evgeniy Primakov, a popular Russian politician who headed the organization from 2001 to 2011. His successor, Sergei Katyrin, is a lower-profile figure, and under him TPP has lost some of its clout. Recent legislative proposals put forth by TPP concerning the petroleum sector include draft amendments to the Law on Subsurface Resources, the draft law On Organizing an Experiment of Gas Sales at Market Prices on Commodity Exchanges, an initiative for a resource base of the oil and gas complex of Russia and problems of subsurface use and a concept for state management of rational use of oil reserves.

In addition to these general trade organizations, there are several others specific to the petroleum sector: the Russian Gas Society (RGO), a 'pocket' organization of Gazprom, the Union of Oil and Gas Industrialists of Russia and the Association of Independent Oil and Gas Producers (AssoNeft), which seeks to protect the interests of small and mid-size nonintegrated oil companies (without much success). The most influential of these organizations is the Russian Gas Society, which actively promotes the interests of Gazprom, through its President, Pavel Zavalniy, who also chairs the Committee on Energy of the State Duma. In addition, RGO develops relevant legislation, rules and standards, provides advisory services and acts as an arbitration court.

The Political Opposition

After the year 2000, because of the increasingly strict limitations in election legislation and the tightening of state control over the main media, television in particular, a new form of opposition dubbed the 'nonsystemic' opposition emerged but was effectively denied access to elections. It came to include left-wing forces, right-wing forces and nationalists. In addition, there is what is known as the 'systemic opposition', consisting mainly of the Communist Party, the Liberal Democratic Party (LDPR) and A Just Russia. It is represented in the State Duma and the regional authorities and in practice cooperates with the government.

The nonsystemic opposition suffers from serious government repression, in the form of denial of registration by the Ministry of Justice and other legal-bureaucratic obstacles and censorship in key mass media, especially the national television channels (Gilbert 2016, 1553). It has only limited influence on how petroleum resources are managed, and its actions aimed at the powerful state oil and gas companies seem doomed to failure.

An important opposition figure is Alexei Navalny, who has profiled himself as an anti-corruption crusader. A considerable part of his activity has targeted the petroleum sector. In 2008, Navalny bought a symbolic

number of shares in Gazprom, Gazprom Neft, LUKOIL, Rosneft and Surgutneftegas, thus becoming a minority shareholder. The idea was to exert pressure on the companies over issues of non-transparency and corruption. In 2010, he published secret documents about the auditing of Transneft, indicating that approximately 4 billion dollars had been embezzled by Transneft's leaders during the construction of the Eastern Siberia–Pacific Ocean oil pipeline (ESPO). Navalny also tried to identify where Transneft was channelling its outsized charitable allocations; however, the Office of Economic Crimes refused to start criminal proceedings because Transneft did not respond to the queries of the police (Malkova 2010). Alexei Navalny has been subjected to significant pressure from the authorities, including being indicted and convicted of corruption, put under house arrest, and his brother Oleg Navalny being sentenced to several years in prison.

Opposition experts and politicians often present their views to the public by writing analytical reviews about the situation in the country, including its energy sector. Vladimir Milov and Boris Nemtsov published a book in which they tried to determine what 10 years of Putin's rule had meant for Russia (Milov and Nemtsov 2010). The chapter 'Russia: Raw Materials Appendage' analysed the problems created by Russia's oil and gas dependency. There the authors argued that the dependency of Russia on its hydrocarbon reserves increased during Putin's rule; that despite the unprecedentedly high oil prices, the Russian economy grew more slowly than it could have; moreover, that no real efforts were made to modernize the country; assets were expropriated and more and more was spent on the growing state apparatus, the special services and on financing state corporations.

Equally interesting is *Putin and Gazprom*, also authored by Milov and Nemtsov (2008). Here they describe Gazprom as Putin's main personal project, emphasizing that the reliability of the Russian gas supply is deteriorating. They focus on shady deals involving stripping of assets from Gazprom, including purchases of assets and pipeline construction. This extract from *Putin and Gazprom* says much about the weakness of civil society in Russia in the absence of real freedom of the press:

> While in the late 1990s actions related to the stripping of assets [from Gazprom] became known by the public … and were commented on extensively by independent mass media, during the second term of Putin's presidency, given the increasing suppression of freedom of press, the public was not well aware of the second wave of asset stripping. The business press that is not controlled by Putin wrote about it, but its circulation is too small, and the audience is too narrow for this information to receive a broad dissemination. Russian TV is silent about such deals – for obvious reasons. (Milov and Nemtsov 2008)

However, the liberal and democratic opposition in Russia appeals to only a small segment of the population. The works by Milov and Nemtsov are popular mainly among the intelligentsia and people with higher education. Vladimir Milov has written critical columns for the newspaper *Vedomosti*, also reaching a limited number of readers. On *Facebook*, his postings continue to attract much attention and commentary, but again the audience is small. Perhaps Milov's greatest weakness is that he is good at formulating criticism, but does not always have constructive alternatives to propose.

Boris Nemtsov was shot and killed in 2015 while walking near the Kremlin (Sergeev et al. 2015). Nemtsov's fate is illustrative of the trajectory of independent voices in Russian petroleum-policy formulation: he went from Deputy Prime Minister with special responsibility for energy issues under President Yeltsin in the 1990s to being a member of the opposition who spoke out loud and clear on energy issues and was then assassinated in 2015.

The political opposition also includes other liberals who were displaced from the establishment, such as Andrei Illarionov, who was economic advisor to the President from 2000 to 2005. In this position, he often criticized the activities of the authorities but without much effect. For example, he advised the authorities to leave the Yukos oil company alone—only to see it dismantled. On 27 December 2005, Illarionov resigned, stating that a change of political regime had taken place in Russia during Putin's rule, and he, even being advisor to the President, could no longer freely express his opinion (Lenta.ru 2016). He continued to express his critical opinion as part of the opposition.

Another example is the former Minister of Finance Alexei Kudrin, who left the government after a spat with Prime Minister Dmitry Medvedev and has consistently argued for the government to rein in its spending of oil and gas revenues (and not to use the National Wealth Fund for financing oil and gas projects). As an old associate of President Vladimir Putin who has chosen to stand outside the government, Kudrin represents a position between the opposition and the government.

Environmental NGOs

Several environmental NGOs operate in Russia, also in the petroleum sector. They are sometimes regarded with suspicion by the establishment, because they are thought to be acting in the interest of foreign countries, seeking to undermine the competitiveness of Russian business by insisting on strict environmental standards (for further discussion, see Lee et al. 2012). Their existence became increasingly precarious after the adoption in 2006 of a new law on NGOs and again with amendments in 2012 to the Law on Non-Commercial Organizations (Crotty et al. 2014). Under these amendments, Russian non-commercial organizations that receive funding from abroad and are involved in political activities are classified as 'foreign agents' (Gosudarstvennaya Duma 2012).

WWF Russia is an influential environmental NGO in Russia. Part of its success may lie in its approach, which involves seeking constructive cooperation with companies, rather than confrontation. WWF Russia is particularly active in the petroleum sector, where it aims to reduce the negative impacts of the oil and gas industry. Owing to the efforts of WWF Russia, Sakhalin Environment, Western Grey Whale Advisory Panel and other organizations, seismic activities in the framework of Sakhalin-1 project that could have destroyed the grey whales of the Western-Pacific group were halted.

In 2007, when over 4000 tons of fuel oil were spilled in connection with an accident in the Kerch Strait between the Black Sea and the Sea of Azov, WWF Russia began to focus on oil spills. For the first time in Russia, WWF organized activities to rescue oil-covered birds. WWF Russia jointly with other environmental organizations interacts with the

legislative and executive authorities in order to improve legislation concerning oil spills. On 28 November 2007, WWF Russia together with Greenpeace, the Union for Protection of Birds of Russia, Environmental Watch of Sakhalin, Friends of Siberian Forests, Centre of Environmental Education of the Sakha Republic and other organizations submitted an appeal 'No to New Oil Spills in Russia' to the State Duma, the Federation Council and the government, insisting on urgent measures to solve the problem, including development of the law 'On the Protection of the Seas from Oil Pollution'. The concept of the law was formulated in 2009 on the initiative of WWF Russia. A draft law was developed on the basis of this concept, approved by the Duma and signed by the President; it entered into effect on 1 July 2013 (WWF 2016).

The East Siberia–Pacific Ocean Pipeline

Another example of a petroleum project where environmental NGOs and civil society groups were able to exert influence is the rerouting of the East Siberia–Pacific Ocean Pipeline (ESPO), so that it would bypass Lake Baikal. On 31 December 2004, Prime Minister Mikhail Fradkov signed a decree on the construction of ESPO from Taishet to Skovorodino to Perevoznaya Bay. Initially, the state oil pipeline company Transneft planned to lay the pipeline some 800 metres from the northern shores of Lake Baikal in a seismically active zone with earthquakes reaching 10 degrees on the Richter Scale. Environmental NGOs, including WWF Russia, Baikal Environmental Wave, Greenpeace and Friends of the Earth, protested loudly, pointing out that the proposed pipeline would pass through permafrost areas, regions with complicated geographic, geological and hydrological features and cross the main rivers of the Baikal basin. Thousands of people signed a letter to Vladimir Putin drafted by WWF Russia, requesting his help in protecting Lake Baikal from ESPO.

Scientists joined forces with the environmental NGOs. They protested against Transneft's plan to make Perevoznaya Bay the endpoint of the pipeline, where it would threaten two nature reserves, the habitat of the Far-Eastern leopard, as well as the fisheries of Primorsk Krai. The State

Environmental Expert Review twice rejected the proposed pipeline route, which, as noted, would pass some 800 metres north of Baikal. Transneft retorted that moving the route further north would be too expensive, as it would then pass through uninhabited mountain areas. However, in April 2006, Vladimir Putin met with scientists in the Siberian city of Tomsk, listened to the proposals of Nikolai Laverov, vice president of the Russian Academy of Sciences, and then ordered Transneft to move ESPO from the shores of Baikal at least 40 km further north. Ultimately, the pipeline was built 400 km to the north of Baikal.

In this case, the normally politically passive Russians were protesting not against a top–down decision that affected their personal well-being but against potential environmental damage, and their protest seemed to make a difference. Still, a nagging question remains unanswered: what was it that really led Putin to decide to have the pipeline rerouted—the environmental protests or the fact that the rerouted ESPO passed close to the Irkutsk and Yakutsk oilfields of Rosneft, Surgutneftegas and TNK-BP, which thus benefited from the decision to move the pipeline? Or did Putin want to be remembered as the man who saved Baikal from the irresponsible actions of the state oil pipeline company?

Another high-profile case where Russian and international environmental NGOs did appear to have influence during this period involved the Sakhalin-2 project. Here it seems that the authorities allowed the NGOs and indigenous peoples to win: their environmental criticism aimed at Sakhalin Energy (then owned by Shell, Mitsubishi and Mitsui) was used as a convenient pretext by the Russian government to enable Gazprom to join the project as majority shareholder on favourable terms (Overland 2011).

Indigenous Peoples

According to Russian legislation, indigenous peoples have a right to participate in public hearings concerning new petroleum projects. But the problems faced by the Russian Association of Indigenous People of the North, Siberia and the Far East (RAIPON) from around 2010 onwards show that their influence is in practice limited.

RAIPON sought to influence the petroleum industry in favour of the indigenous peoples and openly discussed hot issues in the press and at domestic and international events (Berezhkov 2012). In August 2012, delegates from Komi, Nenets and Yamal-Nenets autonomous regions, the Russian Sámi parliament and RAIPON attending the conference 'Arctic Oil: Implications for Indigenous Peoples' in Usinsk demanded that oil production on the Arctic shelf be banned; a moratorium on Arctic onshore oil drilling be introduced, and rights of indigenous peoples for their land be recognized by law. One appeal was addressed to the government of Russia, the second, to the global community (Greenpeace Russia 2012). Was it a coincidence that on 1 November 2012, the Ministry of Justice ordered RAIPON to halt its activity, claiming that its charter did not comply with current legislation? For further discussion of corporate social responsibility and citizens as stakeholders in Arctic oil extraction in Russia, see Henry et al. (2016).

In March 2013, after prolonged legislative and public relations battles, RAIPON's charter was amended, and its problems ended for the time being, thanks mainly to the support of the regional authorities and deputies in the State Duma, primarily Grigoriy Ledkov, from the Yamal-Nenetsk Autonomous Region. He stressed the importance of establishing constructive dialogue with the indigenous peoples, particularly in view of the planned development of the Arctic.

Think-Tanks, Experts and Educational Institutions

Academic and analytical experts draft energy strategies for Russia, provide advice to the government, professional organizations and businesses, carry out projects jointly with NGOs, are invited to write articles or make comments for printed mass media or appear on TV or radio programmes and they teach at institutions of higher education. They have some influence, but the policymakers listen mainly to what they want to hear. These experts can be divided into the following groups: pro-Kremlin political scientists (e.g. Konstantin Simonov, of the National Energy Security Fund), government-affiliated economists (e.g. Leonid Grigoriev of the

government's Analytical Center), those affiliated with Gazprom or Rosneft (e.g. Andrei Konoplyanik, Vladimir Feigin), moderates (e.g. Tatiana Mitrova of the Institute of Energy Studies), technical (e.g. Igor Bashmakov of the Center for Efficient Use of Energy), critical (e.g. Mikhail Krutikhin of RusEnergy), oppositional (e.g. Vladimir Milov of the Institute of Energy Policy) and neutral oil and gas analysts working for Russian and foreign investment banks or auditing companies (e.g. Valery Nesterov of Sberbank).

The Russian Academy of Sciences finds itself in a rather difficult situation now, when a new round of its reform is underway. However, some of its institutes provide advisory services for clients in addition to basic research and are developing dynamically, for example, the Energy Research Institute.

Some institutes of the Academy of Sciences are respected domestically and internationally. The Institute of World Economy and International Relations (IMEMO) ranks 32nd in the world in the global rating of leading think-tanks (IMEMO 2015). One of the authors of this chapter founded and now heads the IMEMO Oil and Gas Dialogue Forum, which regularly holds energy seminars attended by representatives of the ministries, domestic and foreign oil and gas companies, NGOs and the expert community. Participants discuss major problems of the Russian and global energy sector, opportunities and risks for Russia and together search for efficient solutions. The forum is widely attended by mid-level managers and experts from Gazprom, so it is possible that some of the ideas discussed at these seminars influence company decision-making.

Despite the general decline of Russian science, there are petroleum R&D institutes such as NIIgazekonomika, VNIPIgazdobycha, VNIPIneft or TatNIPIneft that are supported by energy companies, and they appear to be doing quite well. However, since they can be expected to serve their corporate sponsors, their independence is limited.

A few small research centres and consulting companies focusing on the oil and gas sector have been established, such as the Institute of Energy and Finance (founded in 2004) or Vygon Consulting (founded in 2013). They conduct high-quality research on oil and gas issues and provide advisory services to the government and oil companies.

Although these new centres ensure competition and diversity in the scientific sphere, it is not always easy to determine whether they are truly independent in their research and conclusions. For instance, the Ministry of Energy has commissioned the Energy Strategy Institute and the Institute of Energy Studies to draft Russia's Energy Strategy towards 2035. However, it appears that the Ministry of Energy will approve and incorporate in the final version only those ideas and calculations that it finds appropriate. The Institute of Energy and Finance is currently involved in drafting the General Scheme of Oil Sector Development towards 2035. The General Scheme is based on the forecast of socio-economic development of Russia towards 2030 provided by the Ministry of Economic Development, which predicts that the average oil price in 2030 will be USD 93.7 per barrel (Belogorev 2015), and the authors of the General Scheme are constrained by these frameworks.

On the one hand, the involvement of these research institutes in drafting such high-level papers appears to confirm their influence on energy developments in Russia. On the other hand, both the Strategy and the General Scheme are general documents that will not necessarily be put into practice. Their predecessors have never been fully implemented, and their predictions have rarely come true. The institutes win the tenders for drafting such key documents, which seems an appropriate way of involving experts in the process; however, the tender criteria are not always transparent. For instance, in summer 2014 VNIIGAZ, the R&D institute of Gazprom won the tender for drafting the General Scheme of Gas Sector Development up to 2035. This Gazprom subsidiary is likely to formulate the document in such a way as to be in line with the interests of the gas export monopoly.

In general, the influence of these research institutes and think-tanks depends on the personality and connections of their leadership, the quality of their research—and, importantly, on whether their conclusions and recommendations are palatable to the authorities.

Russian educational establishments can have some influence on the petroleum sector, since they train future managers and employees who will work either directly in the energy sector or in relevant ministries and organizations that deal with management of petroleum resources and

revenues. In addition to teaching, they often conduct research, so they can have additional impact through the formulation of recommendations for relevant authorities or companies. The influence of educational establishments varies widely, depending on the status of their leadership, the composition of their Boards of Trustees, the quality of teaching and research and so on. The most influential educational establishments focused on the petroleum sector are the Gubkin Oil and Gas Academy and Tyumen Oil and Gas University. Of particular importance is the St. Petersburg Mining University, where both President Putin and Rosneft President Igor Sechin completed their PhD (*kandidatskaya*) degrees. High-impact general establishments that deal extensively with petroleum issues include the Higher School of Economics, the Presidential Academy of National Economy and Public Administration and the Moscow State Institute of International Relations (MGIMO).

Mass Media

The media, and television in particular, wield considerable influence, but from the year 2000 onwards, most Russian media have become instruments for shaping the kind of public opinion desired by the government and not agents in their own right (Heritage 2015). The Kremlin has increasingly taken direct control of key mass media—for example, the First Channel, Russia's largest television channel, which reaches 98.8% of the population. In many cases, media have come under the control of Gazprom or other state-controlled companies. Gazprombank owns Gazprom-Media, which was established in 1998. It reaches audiences of altogether 90 million people through various types of media (see Table 15.1).

Because a few independent critical mass media still exist, the Kremlin can refute claims that there is no freedom of the press in Russia. These media also provide outlets for the opposition to let off steam. Editors of independent mass media rarely experience direct pressure from the authorities, but the Kremlin has financial (through impact on advertisers and sponsors), legislative and judicial levers. The number of independent media is also gradually shrinking.

Table 15.1 Media managed by Gazprom-Media

Television channels	Radio stations	Other
NTV	Avtoradio	Seven Days publishing house
TNT	Energy	*Tribune* newspaper
TV-3	Humor FM	Panorama TV guide
Friday!	Radio Romantika	NTV+ satellite operator
2X2	Comedy Radio	Rutube video hosting
35 other TV channels	Like FM	now.ru online cinema
	Relax FM	Central Partnership
	Children's Radio	NTV-Cinema
	Echo of Moscow	Comedy Club
	101.ru	

Source: Gazprombank 2016

Certain TV channels that are to varying degrees independent offer coverage of petroleum issues.

The RBC TV Channel discusses important oil and gas sector issues in a professional way. For example, one of its guests in 2016 was Vladimir Feigin, President of the Institute for Energy and Finance, who participated in the programme, 'State Support of the Oil and Gas Sector: Is it Needed or Not?' Low oil prices in 2014–2016 (and the implications for the petroleum sector and the Russian economy in general) was a hot media topic, and RBC broadcasts the programme 'Oil Companies have Calculated a Stress-Scenario below the Price of USD 30 for 2016: Oil Production Will not Suffer, but the State Budget will Have a Short-Fall of USD 50 Bln' (Pobedova 2015). In January 2016, RBC anchorman Igor Vittel hosted a programme where the First Deputy Minister of Energy Alexei Teksler and Grigoriy Vygon, head of Vygon Consulting, discussed the dependence of Russian gasoline prices on world oil prices, the cost of aviation kerosene, and what the sector should expect with oil at USD 20 per barrel. However, in May 2016 the three main editors at RBC resigned, citing political pressure (Boleckaya 2016). This may have signalled the beginning of the end of RBC's independence.

The television channel Dozhd, founded in 2010, is a 24-hour Russian news TV channel and media holding that provides news, analytical content and debates. It has given broad coverage to many controversial

issues, such as the 2011–2013 protest movement in Moscow and other major Russian cities against the Russian government, and the political protest punk group Pussy Riot. The channel invites the Kremlin's *persona non grata*, such as former Yukos owner Mikhail Khodorkovsky, to speak on its shows. Consequently, the channel is regularly criticized and inspected by regulators and law enforcement bodies. Dozhd experienced serious financial problems when advertisers left the channel under pressure from the Kremlin and is now able to make broadcasts via the internet only.

Dozhd provides extensive coverage of oil and gas issues. A notable example was the roundtable organized on 17 October 2014, advertised as 'Mother Oil: Who caused the oil price drop, how much it will cost Putin, and are Kudrin and Leontiev right when they say that the price of oil is falling because of a global conspiracy?' The discussion centred on why the price of oil is falling, what prices level the Russian economy could bear and whether cheap oil will change Russia's foreign policy. Invited guests were Mikhail Krutikhin from RusEnergy, Lev Snykov, partner of Greenwich Capital, Marcel Salikhov from the Institute of Energy and Finance, Alexei Knizhnikov from WWF Russia, Mikhail Kasyanov, cochairman of RPR-PARNAS and Dmitriy Lyutyagin, independent oil and gas expert.

The radio station Echo of Moscow is highly popular and sometimes politically controversial. Its target audience is well-off, educated Muscovites, in the 40+ age bracket. Interestingly, 66% of its shares are held by Gazprom-Media, with the remainder divided among the journalists of the station. Its Board of Directors includes four directors from Gazprom, three directors from within Echo of Moscow and two independent directors. Some experts believe that this popular radio station is the only independent mass media outlet in Russia and that its line is determined solely by its editor-in-chief (Business Online 2014). However, others disagree: the well-known journalist Vladimir Pozner has stated that 'there are almost no independent mass media remaining in Russia, and Echo of Moscow is only a pseudo-independent channel (because 66% of the channel is owned by Gazprom-Media)' (Rustamova 2015).

Newspapers

Newspapers have much less impact on public opinion than television in Russia but nonetheless provide important platforms for interaction and discussion among journalists, experts and elites. One of the most important broadsheets for the Russian petroleum sector is *Vedomosti*, a daily business newspaper launched in 1999 by the Dutch journalist Derk Sauer, currently with a print circulation of 75,000. In 2013, it had 26.8 thousand subscribers, including 4.9 thousand corporate subscribers. Until 2015, the newspaper was published by Sanoma Independent Media jointly with *The Financial Times* and *The Wall Street Journal*, each owner holding a 33% stake. However, in the autumn of 2014, a law was adopted that had been put forward by several Duma deputies, prohibiting foreigners from owning more than 20% of any Russian mass media outlet; the law entered into force on 1 January 2016. As a result, the foreign owners sold their shares to Demyan Kudryavtsev, the former Director General of the newspaper *Kommersant*. The fate of *Vedomosti* exemplifies the barring of previously important foreign influence in Russia.

Vedomosti covers the petroleum sector in its section 'Energy Resources'. It regularly quotes such high-profile moderate and neutral experts as Tatiana Mitrova, Maria Belova and Valery Nesterov. It has provided space both for pro-Kremlin energy experts, such as Konstantin Simonov, and for members of the opposition, such as Vladimir Milov. Also, Mikhail Khodorkovsky's articles and interviews have been published in *Vedomosti*.

Two other important newspapers that often write on petroleum-sector issues are *Kommersant* (circulation of paper edition: 125,000) and *Nezavisimaya gazeta* (circulation of paper edition: 40,000). The latter has a supplement titled NG-Energy that brings well-informed articles on oil and gas issues written by a broad range of experts, from pro-Kremlin to opposition.

In addition to the newspapers, there are some magazines that cover the petroleum sector. The two best-known are *Neft i kapital* (paper edition circulation: 12,000) and *Neftegazovaya vertikal* (paper edition circulation: 15,000). They provide solid expert coverage of most key problems in the sector and quote a wide range of experts.

Finally, the Russian population is highly active on social networks (Reuter and Szakonyi 2015), with the home-grown companies V kontakte, Odnoklassniki and Moi mir all larger than Facebook, which is also popular. The platforms provide obvious channels for public debate but have also come under scrutiny and pressure from the authorities (Pallin 2017, 16; Pearce 2015). Russian actors sometimes also use more specialized petition websites such as democrator.ru and change.ru. Some energy experts have started posting their views and analysis on social media, and sometimes they also generate discussion. However, so far they do not appear to have much impact on government policy.

The General Population

Ordinary Russians have little impact on how the country's petroleum reserves are managed. Indeed, they generally have no real interest in or understanding of the sector: of much greater personal importance to them is the distribution of oil and gas wealth. Many Russians are against heavy foreign involvement in the energy sector; they tend to see oil and gas as natural government monopolies, believe it was wrong to privatize the industry and feel that gas and petrol prices should be lower (Overland and Kutschera 2011).

Ordinary Russians, particularly those living in the oil- and gas-producing parts of the country, can try to influence developments by participating in public hearings held by oil and gas companies on new petroleum projects. In late 2015, LUKOIL-Komi organized a series of public hearings in the town of Ukhta concerning development of the Yareg oilfield. According to available information, from 11 to 26 people registered for each hearing (Mouhta.ru 2016), and it is difficult to say whether these were formal events or real discussions that could make a difference.

Though in general the Russian public is notoriously passive (Osipian 2016, 215), a noteworthy event in relations between the local population and oil companies took place in 2014, when residents of the Izhma region in the Komi Republic held several meetings with representatives of LUKOIL-Komi, accusing the company of environmental violations

and demanding that LUKOIL halt its activities in the area until it met the conditions formulated by its residents. The main reason for this demand was that LUKOIL had begun drilling near Krasnobor village without the necessary permits and without informing Krasnobor residents and local authorities (CSIPN 2014). Commenting on this situation, Vladimir Chuprov, head of the Energy Unit of Greenpeace Russia, said: 'we witnessed a really historic event that could provide a new direction in the development of civil society in Russia and in observing the integral human rights' (Chuprov quoted in Usov 2014). This development was indeed unique for Russia. A compromise was reached between the company and the Izhma region. LUKOIL continued its activities there, signing annual agreements on cooperation with the administration of the region (Municipal Region Izhemsky 2016). However, it is unclear whether civil society in general, and the local population of the petroleum regions in particular, would have been able to achieve a similar victory over the more powerful companies Gazprom or Rosneft.

Rosneft regularly publishes the results of public hearings on its website, usually showing that the participants wholeheartedly approve its projects. For instance, when Rosneft subsidiary the Far East Petrochemical Company conducted public hearings on the construction of a petrochemical complex in Nakhodka on Russia's Pacific coast, the local population and representatives of environmental and public organizations participated. The draft environmental impact assessment of the future complex had been made public prior to the hearings. The top management of the Far East Petrochemical Company met with local citizens and responded to their questions (Neftyanaya Vertikal 2016). Given the power of Rosneft, it may have been difficult for members of the public to take a negative stance in the hearings.

Although big companies like Gazprom or Rosneft may not be easily swayed by public hearings, smaller and less powerful companies may be more responsive. On 15 July 2015, repeat public hearings were held in Dudinka on the Taimyr peninsula, concerning the environmental impact assessments of the company Taimyrneftegazdobycha for the development of the Payakhsk and Severopayakhsk fields and the

construction of the Tanalau oil terminal. The first hearings had been held on 30 April 2015 but were deemed invalid because of numerous violations and incomplete documentation submitted for review. The entire company management attended the second round. The Association of Small Indigenous Peoples of Taimyr invited Greenpeace to study and evaluate the materials provided by Taimyrneftegazdobycha (RAIPON 2015).

The hearing lasted for more than three hours. However, the Association of Small Indigenous Peoples of Taimyr, taking into account the opinion of residents of Baikalovsk, drew negative conclusions on the construction of Tanalau terminal on the Yenissei River: the risk of accidents was high, and the company had no experience of handling oil spills in winter and under the ice (RAIPON 2015). Taimyrneftegazdobycha is not yet an influential company, and there is a chance that the actions of NGOs and the local people might affect its decisions.

Conclusions

Russia's civil society engagement with the petroleum sector between 1991 and 2017 is surprisingly rich and varied for a country that ranks relatively low on most democracy-related indicators and where large parts of the population do not identify with the oil and gas industry (on Russian's identification with the petroleum sector, see Rutland 2015, 66). We have noted the lively and varied public debate, with business associations, research institutes, independent experts, environmental NGOs, indigenous organizations and a few remaining independent mass media actively and often competently analysing and commenting on a broad range of issues related to the oil and gas sector.

However, the real impact of civil society on decision-making and policy formulation in the petroleum sector is not as great as the diversity of actors and discussion might imply; the influence of the state on civil society and on public opinion is much stronger than the other way around. One key reason is the tight government control over the main media, especially television—whether directly or indirectly through

Gazprom's media holdings, pressure on advertisers and other measures. Russia lacks the independent media element that could channel and amplify civil society awareness and discussion into real influence on the petroleum sector. The situation for free speech and civil society worsened steadily from around 2004 to 2017, and the full, long-term effects of this may not yet be fully noticeable.

Ironically, given the maturing oil and gas industry, and the growing domestic and international challenges facing Russia's petroleum sector, the intellectual input of a broad and diverse civil society and a more active public debate on petroleum issues in the few remaining independent mass media could have been highly valuable for decision-makers, helping maintain and strengthen Russia's position as a major energy producer and exporter.

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16

Saudi Arabia: Civil Society and Natural Resource Management

Mark C. Thompson

Introduction

In Saudi Arabia, the relationship between energy and society is emerging as an important issue—one that will have an impact on future government policymaking. A thorough understanding of societal issues as they relate to energy and natural resource governance is no longer optional but necessary in order to comprehend the Saudi leadership's approach to energy policymaking. This chapter shows how the Saudi petroleum sector is evolving as it adapts to new conditions, knowledge and challenges—in particular the dramatic fall in the oil price in 2014–2015 and its impact on government expenditure (Nereim and Abu-Nasr 2015, 1). Enquiring whether the role of non-royal technocrats in conjunction with

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an emerging Saudi civil society can exert influence on the decision-making process that guides the Kingdom's petroleum sector, it focuses on the roles of various actors in influencing how energy resources are managed. The issue of whether an active civil society engages in energy issues is highly relevant to today's Saudi Arabia—and is likely to become more important in the future.

As Indra Overland argues in the introduction to this volume, successful long-term management of the petroleum sector depends on a dynamic and wide-ranging public debate, a knowledge-based economy and a society that engages in petroleum sector issues. Without these elements, an oil-producing country is more likely to fail to create and/or modify the necessary institutions to manage its oil wealth successfully. It may develop and/or copy those institutions from other states, but such models may function badly or prove unable to adapt to changing political and economic circumstances when they become outdated.[1] In other words, societal elements (the public brain) contribute to good governance. Bearing in mind these ideas, this chapter examines how a knowledge-based Saudi economy and society could assist in the management and development of the petroleum sector so that it reflects the needs not only of government institutions but also society (Ministry of Economy and Planning 2014, 87–105). The academic literature often refers to 'Saudi exceptionalism' (Menoret 2014, 116; Gause 2015, 28–29)—but is the relationship between society and effective governance of energy resources different in Saudi Arabia from the case in other oil-exporting countries? If so, how?

In addition to reviewing the literature, the research for this chapter utilizes a primarily qualitative approach, based on open-ended questions that allowed interviewees to express their views at length. Responses to these questions have facilitated the identification of major themes, supported by a quantitative approach in the form of online surveys.[2] Some of the research was conducted with approximately 700 undergraduate students taking courses in Globalization and International Relations at King Fahd University of Petroleum and Minerals (KFUPM).[3] In addition, research was conducted with individuals across the Kingdom, and nearly 4000 respondents completed online surveys related to the topic.[4] Certainly, standing alone, these surveys cannot represent 'thick data', but they offer a snapshot of attitudes towards some issues. In addition, we should bear

in mind that at the time of this writing, Saudi Arabia is in the midst of a transition: attitudes can be expected to be fluid due to the changing nature of the Saudi political, economic and socio-cultural environments.

The Saudi State and Transparency in the Petroleum Sector

Although Saudi Arabia has always been a state run by technocrats, transparency in policy and decision-making appears to be growing due to the involvement and convergence of increasing numbers of government and independent actors. It seemed that the Saudi government responded to socio-economic pressures and the low oil price by unveiling new policies and establishing various bodies, such as the Council of Economic and Development Affairs (CEDA). In addition, as a part of Saudi Vision 2030, in 2016 the government introduced a major restructuring of key ministries, including the oil ministry. Ali AlNaimi, in charge of Saudi Arabia's energy policy since 1995, was replaced by the CEO of the national oil company Saudi Aramco, Khalid AlFalih, who now heads the renamed Ministry of Energy, Industry and Natural Resources.[5] Other notable appointments have included the popular Minister of Health Tawfiq Al Rabiah (formerly Minister of Commerce and Industry), Majed AlQusaibi who heads the Commerce and Investment Ministry and Ahmed AlKholifey, governor of Saudi Arabia's Central Bank (SAMA).

However, it is not just policy participation from individuals within the ministries that we need to consider. There is a growing chorus of inputs from key economic corporations and institutions that are making their views heard, including the research-oriented King Abdullah Petroleum Studies and Research Centre (KAPSARC), Saudi Basic Industries Corporation (SABIC) and King Abdulaziz City for Science and Technology (KACST). An understanding of the changing nature of government dynamics and policymaking is necessary—particularly as in 2015–2016, the then Deputy Crown Prince Mohammad bin Salman Al Saud outlined reforms that included strengthening the role of the private sector in the Kingdom. Since Crown Prince Mohammad bin Salman unveiled Saudi Vision 2030 and National Transformation Plan

on 25 April 2016[6]—promising a better future and improved governance—much analysis has focused on the potential impact of Vision 2013 at the national level, including a proposed 5% sell-off of Saudi Aramco. As Miller (2016, 307) argues, economic realities forced policymakers 'to acknowledge more publicly than ever the need to embrace serious reform without delay'. Initially, many Saudis saw Vision 2013 as an attempt to respond to 'remote causes' such as acute unemployment amongst the Kingdom's predominantly young population, not to mention the squandering of oil revenues. However, there was considerable public anger that foreign management consultancy companies such as McKinsey and Boston Consulting Group were the 'drivers' of the reform programme, even though in a rare statement (in Arabic) McKinsey denied that it had produced the Saudi Vision 2030 document (Kerr 2016).

We should ask whether the 'opening up' of decision-making is possible in Saudi Arabia—including in the petroleum sector—especially as government decision-making is usually categorized in terms of vertical dependency (top–down) with the Al Saud princes formulating and implementing policy. In Saudi Arabia, these practices of patronage and clientelism 'integrate the individual vertically into social life on the basis of conformity, of accepting the legitimacy of the status quo and becoming trained in its rules of conduct' (Ayubi 2006, 166–167). Nevertheless, we should also consider the extent to which technocrats within formal and informal institutions may be able to influence decision-making processes, whether via 'bottom–up' interactions or by having 'horizontal' access to the traditional Al Saud vertical dependency. Can the participation of these individuals and institutions, in formal or informal capacities, play a long-term constructive role in influencing Saudi policymaking, thereby transforming natural resource governance?

Saudi Petroculture

For several years, far-sighted individuals in the Kingdom have been questioning whether an occasionally cavalier attitude to natural resources is building up problems for the future (see Thompson 2011). The current

situation is in direct contrast to that of previous generations, who utilized all their precious natural resources with great care, due to the extreme climate and harsh environment. In December 2009, the King Abdulaziz Centre for National Dialogue (KACND) convened a seminar where over 60 participants—including intellectuals, academics and religious leaders—discussed the need to promote awareness of natural resources in society, and where the participants were particularly keen to see knowledge of 'petroleum culture' promoted in educational institutions (Thompson 2014, 132–140). One well-known Saudi intellectual, Ibrahim Al Belaihi, pointed out in an interview that the state's continued dependence on oil revenue was a problem that could not be overlooked.[7] He speculated whether the issue of a post-oil Saudi Arabia was discussed or even given any thought in the highest circles. Al Belaihi was also concerned about the prospects of young Saudis, particularly those from elite backgrounds who were being groomed for leadership positions. How would a drastic decrease in the oil rent affect them, not to mention their less well-off peers? Although the issue of a post-oil Saudi Arabia has not been discussed widely, the decrease in oil revenue since 2014 has triggered changes in the country's distributive system, such as cuts to salaries and benefits, which until 2015/2016 had appeared unthinkable to wider Saudi society.

Challenging the Top–Down Approach

Gause (2015, 28) has argued that, prior to the 2014/2015 oil price collapse, Saudi Arabia 'was an exception to the rentier model', thanks to the government's ability to deflect the fiscal and political impacts of oil price drops, including potential flashpoints for political mobilization. Gause asserts that the government's ability to avoid a fiscal crisis during periods of low oil prices derived from 'its reserves, its ability to tap private domestic wealth through the banking system and its unique role of being able to affect global oil prices by its own decisions' (2015, 28). However, the 2014/2015 oil price collapse clearly placed that ability under considerable strain, forcing the government to look for alternative solutions as well as talented, experienced individuals who could not only come up with effective solutions but also implement them.

Therefore, new approaches are required when analysing the changing nature of Saudi governance as the state struggles to manage emerging actors and networks as well as the spread of socio-political thinking—a great deal of which was generated following the oil price collapse. In fact, according to some respondents, new actors and institutions can influence policymaking in Saudi Arabia to various degrees as the system is seen to be flexible in ways to allow for such influences, for example, through the traditional *majlis* system (Montagu 2015).[8] They argue that because of Saudi societal culture, consultation through various channels such as *majalis*[9] or, for example, the Saudi Chambers of Commerce and Industry (SCCCIA), as well as consensus-building amongst groups with competing interests, is of great importance. These can serve as 'channels for people to make their views known and to raise suggestions, grievances or other topics'.[10]

However, the emergence of multiple actors and socio-political thought within the existing political system does not necessarily signify a weakening of the Al Saud state, as the government remains in firm control of the means of coercion and the distribution of oil rents. Consider the case of Saudi Aramco: the company and its personnel are responsible for decision-making related to the technicalities of the oil industry; however, it is individuals and or supreme councils within the government that make decisions related to the political aspects of the industry.[11] It is how emerging actors and institutions operate, as well as their actual position and influence within the governance system, that need to be analysed in order to ascertain whether a policy of greater inclusion and consultation is being implemented. This is especially important because, in the past, when it came to granting key, second-level positions to persons not members of the ruling family, they were usually given to fellow Najdis—a patronage process that Champion (2003, 10) refers to as Najdi-based *asabiyya* capitalism.[12] Also important is to identify, on the one hand, the socio-economic and politico-economic actors who operate as part of the state and, on the other, the actors representing various societal segments—although there is frequently a grey area between them.

Saudi policymaking is made up of various strands—economic, political and societal. Because of the overlap and complexity of these strands, specialist input is required from technocrats within a range of ministries

and institutions such as KAPSARC or KACST. The emergence of technocrats who are able to influence policymaking is a result of the creation of an intermediate stratum within the political structure that did not exist until fairly recently.[13] However, although government decision-making remains top–down, the dynamic within this approach has shifted, with the top–down system gradually incorporating a consultation process that includes the technocratic elite and key economic institutions.[14] For example, the Ministry of Economy and Planning (MEP) under the supervision of Adel Fakieh gained significant policymaking influence in 2015–2016. It was understood that the days of the 'five-year plans that everyone ignored' were over, as the MEP began formulating policy and feeding this up to CEDA. In fact, as Niblock (1982, 110) points out, the Al Saud family 'has always been willing to cede administrative responsibility' to individuals on the basis of merit, especially when senior princes lack the necessary expertise. Consequently, the visibility of this new line-up of technocrats was interpreted as the first sign of a shift in power away from the practices of old-style Al Saud policy formulation. The task of this (non-royal) technocratic elite was to overhaul government policy-making at a time when the economic realities of the oil price collapse impacted dramatically on government expenditure. At a time of austerity, the incorporation of highly qualified and often Western-educated Saudi technocrats into the national decision-making process raised hopes that voices from outside the traditional ruling elite would have the opportunity to participate in meaningful ways.

In conjunction with the rise of a new technocratic elite, of particular significance in Saudi Arabia has been the growing public awareness of the need for government accountability, transparency and best practices. There are also indications that the Al Saud leadership has, to some extent, recognized the necessity of being answerable to society. However, according to one young Saudi academic and policymaker who was interviewed for this study,[15] civil society still does not have any influence on government policy itself (including energy policy), although public opinion formers *are* making energy policy more transparent. This transparency is evident in traditional media such as television and newspapers and also in the new media. The new digital technologies are often possible to manipulate; they are networkable, dense, compressible and interactive. Examples

here include the Internet, computer multimedia and, most importantly in the Saudi context, the social media. Transparency is visible in articles by columnists such as Dr Mohammed Al Sabban,[16] who focuses on oil policy and its impact on Saudi society[17]—although, as a former senior advisor to the to the Minister of Petroleum, he frequently supports the government position. For example, in response to the claim made by the International Monetary Fund in October 2015 that Saudi Arabia would be bankrupt within 5 years due to the low oil price and increasing government expenditure, Al Sabban responded in a series of tweets on Twitter: 'This is not true as the Kingdom's economy is in the best condition in decades. This negative reporting of possible bankruptcy is only found in the Western media and assumes that the Saudi government will be unable to adopt any measures to reduce spending, which is incorrect.'

There is also recognition that a non-transparent government cannot be trusted in the eyes of its citizens and that government policy should be fully transparent except in matters relating to national security, as observed by one interviewee.[18] The same respondent stated that Saudis will not follow government directives 'if they do not see willingness by the government to commit as well. A government should lead by example or show commitment through legislation'.[19] Nevertheless, according to a Saudi political and economic consultant in Riyadh, the Saudi public interprets government oil policy in one of three ways.[20] Firstly, the general public frequently sees oil policy through the lens of international relations, for example, in relation to the rivalry with Iran and Russia or the United States. Secondly, the public understands oil policy in purely economic terms, for example, in relation to structural changes in the market, fracking and/or the economic slowdown in China. Thirdly, there is a public assumption that the Saudi government (and for that matter OPEC) does not actually have much impact and/or influence on oil prices. When categorizing 'who believes what,' well-educated Saudis, in particular English speakers who follow current affairs, will tend to agree with the second explanation. We should bear in mind that a great deal of Saudi public opinion is based on information from three main sources: friends and relatives, family members and the social media—all of which may provide a distorted picture of reality.

It is incorrect to categorize Saudi society as wholly passive towards the government: even in such a highly-structured society, individuals and groups are adept at using the existing informal structures to further their interests vis-à-vis the state. On the other hand, these kinship and patron-client relationships are not equivalent to formal structures of political interest mediation. By using informal structures, new societal groupings have created a business class that thrives on state contracts, licenses and subsidies available through institutions such as the SCCCIA (Hertog 2005a, 118–119). Yet, although the presence of a cohort of Western-educated technocrats is frequently cited in the literature as an indicator of the 'reform process', Hertog notes that this group is not yet organized as a political force, despite the technocrats placed in the higher echelons of Saudi bureaucracy (Hertog 2008, 657). Members of this technocratic elite hold positions not only within the relevant ministries but also in key economic institutions like KAPSARC, SABIC and KACST. This group is gaining influence by penetrating the major circles of power via access points where formal and informal politics are intertwined and form circles of cooperation on which good governance depends. Niblock (2006) noted that this constituency had gained access to state decision-making and in some cases policy implementation, a trend further strengthened since 2006. Even so, individual institutions tend to act as little 'states within the state', which can result in efficient bureaucratic islands but may also lead to failures of coordination and to the fragmentation known as 'silo-mentality' (Hertog 2005b, 2). This lack of horizontal coordination, exacerbated by the traditional vertical dependency, is found not only between institutions but also within institutions, where departments sometimes fail to communicate horizontally amongst themselves.

What Is Contemporary Saudi Civil Society?

How can we define contemporary Saudi civil society? To answer that question, we must first identify the nature of 'civil society' in the Kingdom, not least because some have held that civil society in Saudi Arabia does not exist. Montagu, however, argues that there is 'considerable awareness of civil society, and the need for it, and many groups are active in this

sphere' (Montagu 2015, 17). In fact, for many individuals, in the domestic context, civil society is understood as consisting of 'all associations and networks between the family and the state in which membership and activities are voluntary'. As Edwards (2014, 20) explains, these 'voluntaristic mechanisms are used to achieve an association's objectives through dialogue, bargaining and negotiation'—a process that is highly relevant to the Saudi context. However, many Saudis argue that to understand Saudi civil society, it is imperative to focus on the local context and not apply Western-centric interpretations to the Kingdom. They also point out that Saudi civil society is not a homogeneous entity, so 'local context' does not necessarily mean the Kingdom as a whole, but rather specific areas or constituencies.

If, then, we understand civil society as being an overlapping public space between the state, the market and the ordinary household (Edwards 2014, 3), in which people can debate and take action, does this space exist today in Saudi Arabia? Yes, according to my respondents. In fact, this space has increased, as in the last few years, a new online version of civil society has emerged through greater usage of new media, which they recognize has become a Saudi 'norm'. For example, respondents point out that it seems that everyone from King Salman down has a Twitter account—so, they argue, the state, market and ordinary households are all represented here.[21] This extraordinary growth of social media usage in Saudi Arabia should not be so surprising: the new media act as a technological extension of existing associational settings. In effect, as noted in the 2014 study 'What Matters Most to Saudi Arabia's Youth', digital communication has been integrated into traditional lifestyles (Hildebrandt et al. 2014, 5–6). According to the Jeddah-based social business and social media agency The Social Clinic (2017), the 18–35 age group dominates social media in the Kingdom, with more than 83% penetration. Furthermore, 90% of Facebook users in Saudi Arabia live in the urban conurbations of Riyadh, Jeddah and al-Khobar/Dammam age group (2015). In addition, the 2015 Arab Social Media Report rated the most popular applications in Saudi Arabia as follows: WhatsApp 91%, Facebook 80%, Twitter 53%, Instagram 43% and YouTube 40% (Arab Social Media Influencers Summit 2015, 4). A survey conducted for my own research yielded the results presented in Table 16.1.[22]

Table 16.1 Which social media/communication applications do you use?

	No. of respondents	%
Twitter	2172	59.8
Instagram	2425	66.8
Snapchat	1916	52.8
Path	478	13.2
Facebook	799	22.0
Other	557	15.3

Kinninmont (2013, 5) argues that in the Gulf States, social media like Twitter are part of 'a wider distribution of power over information away from governments and towards individuals', especially youth. Some KFUPM students maintain that there has been a positive development, in that ordinary Saudis now have a degree of influence over the leadership's decision-making processes by highlighting issues in the new media, like the need for economic reforms. It may be debated whether this has any real political impact, but what appears significant is the perception amongst at least some Saudis that a space has become available where they can voice their opinions and be heard. As one young engineer explained in an interview, 'Youth is starting to understand the world much better, so hiding the truth and/or audience manipulation is harder in this era. Accordingly, the government is being careful because its every move is noticed by its youthful public.'[23] Saudis now have greater awareness of public opinion, and according to one interviewee, many people believe that it plays a 'major role in many of the domestic changes we have witnessed'.[24] In addition, Hertog (2016, 71) notes that the general level of political awareness amongst young Saudis is far above that of any previous generation. This awareness was evident amongst some respondents, who held that it was no exaggeration to state that public opinion is one of the main components that influences Saudi government policymaking. Others, however, maintain that public opinion in the Kingdom remains heavily influenced by the views of a small group of people such as government loyalists, religious clerics and prominent intellectuals who have 'active online profiles': it is their opinions that really count (Table 16.2).

During 2015, there was a crackdown on freedom of online expression, including on Twitter. Many individuals ceased commenting online, but

Table 16.2 In your view, how important is public opinion?[25]

	No. of respondents	Percentage
Very important at all times on all issues	193	35.3%
Very important, but it depends on the issues	203	37.2%
Important, but it depends on the issues	83	15.2%
Somewhat important, but it depends on the issues	32	5.9%
Not very important	6	1.1%
Not important at all	1	0.2%
Important, but it is neglected	20	3.7%
Public opinion is not related to societal issues	3	0.5%
Don't know	5	0.9%

those Saudis who had sufficient influence and *wastah*[26] continued to criticize government policies while toning down their criticism.

Demographics and the King's Dilemma

Saudi demographics are central to understanding some of the most pressing issues facing the Kingdom in the immediate future.[27] However, the Saudi government is educating its young population, with the vast majority attending higher educational institutions in the Kingdom and the best students being sent to study overseas, sponsored by the King Abdullah Scholarship scheme.[28] As Alnassar and Dow (2013, 49–50) maintain, it was the leaders of the Kingdom's universities, rectors and senior supporting personnel who convinced the Saudi government to transform the Kingdom into a knowledge-based economy by utilizing its considerable resources to better educate and build its human capital. In April 2011, former Minister of Higher Education Dr Al Anqari announced a new 25-year plan for the development of higher education. In 2012, SAR 137.9 billion was allocated to education and training to convert the Kingdom into a knowledge-based society by 2022 (Thompson 2014, 203), and in April 2016, education was designated as one of 'pillars of Saudi Vision 2030' (*Arab News* 2016, 1). Naturally, this educational process is raising the hopes and aspirations of young Saudis, but it also gives rise to an important question: how are these graduates going to find gainful employment? Even carefully managed socio-economic reform can

lead to out-of-control change. The case of the Al Saud educational policy provides a classic example of the 'King's Dilemma', when reforms from the top can increase demands for more radical change from the bottom (Dunne and Ottaway 2009, 40).

Conclusions: Consequences for National Development

Political and economic realities related to the low oil price have necessitated changes in Saudi government policy. As Ulrichsen (2016, 3) notes, the many measures introduced in response to increasing fiscal pressures included 'spending cuts and culling jobs, raising debt, drawing down savings and selling assets'. Ulrichsen also points out that energy subsidies in 2015 alone cost Saudi Arabia some USD 107 billion. As a 2015 Chatham House report notes, changes in the availability of education and information are likely to create new expectations for transparency and for greater participation in the public sphere (Kinninmont 2015). The Saudi government is trying to respond to these pressures by opening up decision-making processes and introducing policy initiatives such as Saudi Vision 2030. However, post-2015, the Kingdom's youthful and frequently aspirational population expects concrete policies from the government, effective policies that can improve the socio-economic situation through better resource management. As a young Jeddah-based Saudi journalist maintained, young Saudis have become more questioning about government pronouncements: 'If you like, you could say that the ball is in the government's court'.[29] Nonetheless, as Al Rasheed (2015, 135) notes, this reformist trend is 'still loyal to the government, but demands an opening of the political system to include a wide social base' that would include responses to societal concerns about, for example, the rising cost of living. The journalist I interviewed concurred, explaining that this scepticism does not translate into a desire for a change of leadership. Rather, he argued, Saudis want a more accountable leadership that can reflect political and socio-economic concerns—in addition to wanting an end to the 'corrupt practices of the past'. Further, in his view, Crown Prince Mohammad bin Salman seemed to be respond-

ing to those concerns when he said, 'I belong to the same generation as you, so I understand the path you would like the Kingdom to take'.[30] Thus, when Saudi Vision 2030 was launched in the spring of 2016, a great many young Saudis gave the prince and his Vision 2030 the benefit of the doubt because it at least acknowledged their hopes and concerns. By the end of the year, however, public optimism began to fade as the vision became synonymous with public sector cuts and austerity measures.

Despite the limitations placed on technocrats by the existing political system, their elevation to major decision-making positions appears to signify an attempt at greater inclusiveness in policymaking. In a report issued by the McKinsey Global Institute, *Saudi Arabia Beyond Oil*, the consultancy argues that all stakeholders, including the private sector, foreign investors and households, will need to be involved in national development (McKinsey 2015). The key issue here is whether the Saudi government is willing to open the national decision-making processes further, also in the petroleum sector, to those stakeholders who are qualified and prepared to contribute to the Kingdom's overall development. In consequence, could the growing influence of this technocratic elite weaken, or indeed eventually replace, the traditional Al Saud princely monopoly on decision-making? As the impact of the low oil price begins to make itself felt to individual Saudis and their pockets, the issue of who makes the major decisions, in particular on resource governance and the Kingdom's distributive system, is likely to become more widely discussed in Saudi society.

Notes

1. 'Apparently Prince Mohammad bin Salman frequently cites Dubai as an economic and administrative model for Saudi Arabia. However, in my opinion this does not work due to the huge differences between a small city-state and a large, diverse Kingdom', interview with Saudi political journalist, Riyadh, 2015.
2. Surveys are conducted in both Arabic and English and distributed through social media applications such as WhatsApp and Twitter.

3. KFUPM is situated in Dhahran in the Eastern Province of Saudi Arabia adjacent to the main Saudi Arabian Oil Company (ARAMCO) compound. KFUPM is the highest ranked university in the Arab World with an enrolment of approximately 10,000 (Top Universities 2016).
4. These surveys include perceptions of societal transformation, levels of individual political awareness, career aspirations and work motivation and social media and its effect on Saudi society.
5. Although Amin H. Nasser is President and CEO of Saudi Aramco, Khalid Al-Falih as Chairman of the Board of Directors of Aramco was still very much in charge.
6. Crown Prince Mohammad bin Salman is King's Salman's favourite son. Following his accession to the throne in January 2015, the monarch made his son Deputy Crown Prince, Minister of Defence and head of the newly formed Economic Council. Prince Mohammed became Crown Prince in June 2017 replacing his cousin former Interior Minister Prince Mohammed bin Nayef. Dubbed 'Young prince in a hurry' by *The Economist*, the prince promotes policies that are ambitious but controversial (*The Economist* 2016).
7. Interview with Ibrahim Al Belaihi, Riyadh, 2010.
8. As Montagu (2015, 24) explains 'The *majlis*, or meeting, is the traditional regular open house held by senior members of the community, princes, businessmen, tribal and religious leaders and some professionals. Within Saudi Arabia, these *majalis* are essential loci for discussion, rumour, chat and gossip and also for the informal presentation of petitions'.
9. Plural version of *majlis*.
10. Interview with Ibrahim Al Belaihi, Riyadh, 2010.
11. Interview with Aramco executive, Dhahran, 2016.
12. The Najdi are persons from Najd in central Saudi Arabia, the heartland of the Al Saud and its tribal allies.
13. Interview with Saudi political journalist, Al Khobar, 2016.
14. However, to date, security, foreign policy, financial and resource management policies have remained excluded from this dynamic, as noted by a Saudi female academic, Gulf Research Meeting, University of Cambridge, August 2015.
15. Interview with Saudi academic, Riyadh, 2016.
16. Professor of Economics at King Abdulaziz University, Member of the Supreme Economic Council.
17. See: https://twitter.com/sabbanms
18. Interview with Saudi computer engineer, Al Khobar, 2015.
19. Ibid.

20. Interview with Saudi politico-economic consultant computer engineer, Riyadh, 2016.
21. See: Twitter@KingSalmanEN.
22. Source: Author's Online survey "تأثير الشبكات الإجتماعية على خصوصية المجتمع السعودي" (Privacy and Social Media Usage in Saudi Arabia) with 3630 respondents.
23. Interview with Saudi engineer, Dhahran, 2015.
24. Author's online survey: Anonymous online respondent, 2015.
25. Source: Author's online survey "التحول الإجتماعي و الرأي العام" (Societal Transformation and Public Opinion) with 552 respondents.
26. *Wastah* = having influence through connections.
27. The 0–14 age group comprises 32.4% of the total population, the median share. The middle age group of 15–64 makes up the greatest share of the total population, about 64.8%, and the 65+ age group comprises 2.8% of the total population (World Population 2017).
28. The scholarship programme was established by King Abdullah, but in 2015, due partly to financial constraints, the Saudi government scaled back the programme significantly by reducing the fields of study to receive funding. http://he.moe.gov.sa/en/studyaboard/King-Abdullahstages/Pages/introduction-a.aspx
29. Interview with Saudi political consultant in Riyadh, 2015.
30. Interview with Saudi political consultant in Riyadh, 2015.

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17

The United Arab Emirates: Modernity and Traditionalism in Petroleum Sector Management

Martin Hvidt

Introduction

Any discussion of policymaking and institutional development in the United Arab Emirates (UAE) must take as its starting point the short timescale of the country's modernization. Most European states have taken 200–300 years to transform themselves from agricultural to industrial societies and, later, to information or knowledge societies. While people have lived in the territory formerly known as the Trucial Coast, now called the UAE, for thousands of years, it is only within the past 60 years that the transformation has taken place from small, nomadic, fishing, pearling and trading communities to modern cities and statehood. Oil—or rather, the income from oil and gas—has made this rapid modernization possible.

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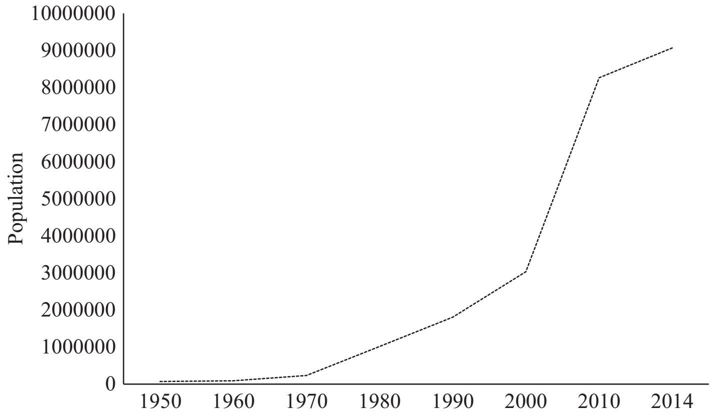

Fig. 17.1 Population of the UAE. Sources: UAE National Bureau of Statistics 2015; Wikipedia 2014; World Bank 2015

The seven emirates that constitute today's UAE—Abu Dhabi, Dubai, Sharjah, Ras al-Khaimah, Fujairah, Umm al-Quwain and Ajman—were united in a federation in 1971, following the withdrawal of the British, who had de facto ruled the Trucial Coast since 1820. An indication of the rapidity of modernization can be found in population statistics (see Fig. 17.1). The UAE now has a population of around 9 million. Of these, an estimated 985,000 are nationals, that is UAE citizens, and the remainder are expatriates—foreign workers who do not hold UAE passports (UAE National Bureau of Statistics 2015). The speed of population growth has been mirrored by changes in the institutional landscape. The traditional system of rule was based on tribal structures where sheikhs (tribal heads) and, above them, the ruler or ruling families, took all major decisions, following consultation with the elders. While this system remains the key feature of political culture in the UAE, it is slowly being augmented by formalized and professionalized institutions better suited for dealing with the increasingly complex task of running modern city-states and a federal government. New and major policy initiatives, institutional developments, legislative changes and bureaucratic procedures and processes are launched on an almost daily basis.

This chapter explores the nature of decision-making in the UAE in order to map the public debate and the role of various actors in

influencing how oil and gas resources and revenues are managed in the UAE. It is based on a decade of research on the developmental models applied in UAE, 3 years living there and following the daily news, supplemented by a desk-based review of academic sources and media sources, including *The National*, the official mouthpiece of the Abu Dhabi and federal governments, and the *Gulf News*.

UAE Hydrocarbon Sector: Overview

The UAE is indeed an oil-rich country. It sits on top of 97.8 billion barrels of proven reserves of oil, equivalent to 6.6% of the world's proven reserves and representing the sixth largest oil reserves in the world. It is also currently the world's eighth largest producer of oil, producing 2.99 million barrels of oil per day, of which around 500,000 are consumed domestically while the remaining nearly 2.5 million barrels are exported. In addition, the UAE has the fifth largest gas reserves in the world and is the 14th largest producer of (marketed) natural gas (OPEC 2016). However, much of the gas is sour and costly to produce (Butt 2001). Petroleum exports generated an income of USD 97 billion in 2014 and, following the decline in oil prices, USD 52 billion in 2015 (OPEC 2016).[1]

The country has also made substantial savings from its hydrocarbon revenues. Abu Dhabi has the fifth largest sovereign wealth fund in the world, the Abu Dhabi Investment Authority (ADIA), currently valued at USD 792 billion (SWFI 2016).

Finally, it is important to note that oil resources are highly unequally divided among the seven emirates that form the UAE. Abu Dhabi, with 87% of the territory of the UAE, also holds 94% of the total oil reserves and represents 94% of UAE oil production. It also holds 93% of the gas reserves (Butt 2001; Khalid 2014; Abu Dhabi Government 2015). Of the other six emirates, only Dubai and Sharjah hold any noteworthy oil and gas reserves. This distribution has important consequences for decision-making on how petroleum revenues are to be spent, as discussed below. For all practical purposes, the energy policy of the UAE is identical to that of the emirate of Abu Dhabi. Therefore, in this chapter I focus on policymaking in Abu Dhabi.

Development of the Oil and Gas Sector

The first shipments of oil left Abu Dhabi in 1962. After the ending of the Trucial Coast treaties with Britain and the creation of the UAE in 1971, the Abu Dhabi National Oil Company (ADNOC) was set up to 'manage and operate all aspects of the emirate's oil and gas industry' (Butt 2001, 233; ADNOC 2015).

Since then, the UAE's petroleum sector has developed significantly. Output grew from 14,200 barrels per day of oil in 1962 (Butt 2001) to the current level of 2.9 million. The sector diversified upstream from only producing oil to producing both oil and gas and downstream to a plethora of activities within the hydrocarbons sector. Moreover, in order to stabilize export earnings, it has developed the capacity to enter long-term contracts for the sale of liquefied natural gas (LNG) to Asia. Fourth, the UAE has established facilities and agreements for import of additional quantities of natural gas to overcome its production deficit and meet the rapidly rising demand in the domestic utilities sector (the 'Dolphin project' for import of gas from Qatar). Finally, the domestic supply of energy has been diversified from reliance on oil and gas to the introduction of coal and large-scale solar and nuclear power.

These developments have been clearly visible in Abu Dhabi. ADNOC added upstream and especially downstream activities to its portfolio to become a fully integrated oil and gas company. Its 16 subsidiaries have the following functions: exploration and production of oil and gas, refining, maritime transport (a tanker fleet for transportation of crude oil and LNG), gas processing (production, liquefaction and marketing of natural gas and supply to petrochemical companies), exploration and production services, chemicals and petrochemicals and distribution of refined products (over 300 filling stations, as well as aviation refuelling and ship bunkering) (ADNOC 2015). As a part of its diversification strategy, Abu Dhabi has invested in a range of overseas energy ventures through the government-owned International Petroleum Investment Company (IPIC). Domestic investments in energy and various future industries—including green technology, aerospace and aluminium—have been made by another state-owned company, Mubadala. The two investment companies, with combined assets of USD 127 billion, were merged in July 2016 (Mills 2016).

The gas sector has largely been developed to satisfy the ever-increasing domestic demand for energy, and only secondarily for export purposes. Gas has been prioritized for generating freshwater and electricity, supplying industries, providing feedstock to petrochemical projects and stimulating reinjection in the oilfields as they mature. Despite large investments in gas fields over the years and recently through the USD 11 billion development of the onshore Shah gas field, the UAE is expected to remain a net gas importer for the foreseeable future. As early as 2008, domestic consumption overtook production, and the deficit continues to grow. Consumption of gas increased by an average annual rate of 7.8% over the past 10 years, to 6.6 billion cubic feet/day (cf/d) in 2013. In comparison, annual production growth over the same period was only 2.6%, to 5.4 billion cf/d in 2013 (Watts 2015). Watts (2015) further points out that, despite the Dolphin pipeline project that brings in gas from Qatar, the UAE faces the biggest gas challenge of any of the Gulf Cooperation Council (GCC) nations, and indicates that expansion of industrial production is held back by this shortage of gas.

Decision-makers in Abu Dhabi seem keenly aware of the issues at hand, and have taken various steps to mitigate the growing gas deficit. These include slowing gas consumption growth by developing other sources of power such as coal, renewables and not least nuclear; adding capacity to import LNG; and negotiating increased pipeline gas imports from Qatar (Watts 2015). In early 2015, in an effort to slow consumption, the Abu Dhabi government introduced charges for water and electricity in private households, and, at the federal level, subsidies on fuel were lifted in August 2015 (Wilkinson 2015).

The most notable addition to the energy supply system has been the construction of a nuclear power plant. The USD 20 billion project is expected to commence operation of its first reactor in 2017. When fully developed in 2020, its four reactors are expected to satisfy 25% of the combined electricity needs of the UAE, significantly reducing the demand for gas to feed power generation (McAuley 2015). In addition, Abu Dhabi has established a long-term strategic focus on renewable energy. The flagship project is the widely advertised Masdar City initiative which is well under way and aims to turn Masdar City into the world's first carbon-neutral, zero-waste city completely powered by renewable energy. In 2009, Abu Dhabi won the right to host the headquarters of the newly established

UN organization, the International Renewable Energy Agency (IRENA). The strategic aim of both initiatives is to make the UAE the hub for development of future renewable energy technologies, thereby facilitating the growth of a new industry which will lead to an influx of energy experts, students, supporting industries and jobs in the UAE (Al-Lawati 2009).

Abu Dhabi thus appears to be applying a long-term perspective in the use of petroleum sector revenues and the substantial foreign investments in the sector. The intention is to diversify the economy—by channelling large amounts of funds into investments and development funds, such as Mubadala, IPIC and ADIA, which aim to create revenues and stimulate the development of a diversified economy.

Decision-Making Structure in the UAE

At present, the UAE is not, nor strives to be, a 'democracy' in the sense of a liberal Western multiparty system. The country maintains a decision-making structure based on a traditional tribal system characterized by centralized decision-making, personalized rule and consensus among the group of decision-makers, counterbalanced with the practice of consultation with the elders and tribal heads within society. Advocates of this system highlight that the practice of consultation with the elders and tribal heads means de facto representation of popular interests within society (Alsharekh 2008, 164; Abu Dhabi Government 2015). Scholars frequently refer to the ruling system in the UAE as a 'benevolent ruling monarchy' or a 'benign rule' (Fox et al. 2006; Peterson 2007; Alsharekh 2008, 157).

Tribalism as a way of organizing society grew out of the age-old quest for survival in the harsh living conditions of the Arab Peninsula (Khalifa 1979, 96), and was later reinforced by the British colonial rule of the Trucial Coast (1820–1971). It was then further strengthened by new sources of wealth accruing to the rulers in the pre-oil era and after oil income started flowing (Zahlan 1998). Oil money significantly strengthened the rulers' economic position, enhancing their ability to demonstrate largesse and reward the loyalty not only of the Bedouin tribes and the merchant elites but also society at large (Hvidt 2007). As explained

by Herb (1999), the neopatrimonial nature of the Gulf states implies that the regimes are organized around the ruler as an individual, with other members of the elite in relations of personal dependence on his grace and good favour.

While the road to modern statehood for most countries with tribal structures has included deliberate attempts to curb the strength of the tribes in order to shift loyalty from the tribal groups to the state, this has been less apparent in the UAE. As Meulen (1997, 8) points out, 'political leadership [in UAE] is confirming, legitimizing, strengthening, and extending the role of tribal and kinship ties in politics and the management of the economy'.

The Space for Public Debate

This type of rule has consequences for public debate, not least in relation to the petroleum sector. First, we should note that there is no tradition of questioning the decision-makers or the decisions taken. Most issues of a domestic political nature are not debated in public forums like the news media: announcements are made after a decision has been taken. Furthermore, and perhaps as a consequence, there are very limited structures and procedures to facilitate openness of the public administration and transparency in decision-making. One obvious point is the lack of basic statistical data and key documents: for example, neither the federal nor the emirate-level budgets are readily available. As pointed out by Hvidt (2012), decision-making on broader development issues does not generally leave a noteworthy 'paper trail' like white papers, newspaper columns or minutes of parliamentary debates.

A second observation is that the UAE is characterized by the absence of organized interest groups. There are no trade unions or political parties, and the press exercises considerable self-censorship in dealing with domestic political affairs. While the UAE Constitution guarantees freedom of opinion and expression (Article 30), the laws related to libel and slander (e.g. Articles 372 and 176 of Federal Law no. 3 of 1987) (FNC, 1987) are ambiguous, with unclear guidelines regarding what may legally be said or written. The only noteworthy organized interest groups are the

Chambers of Commerce in each Emirate. However, they do not represent an opposition to the regime. Although highly influential in maintaining a pro-trade regime over the years, they are a forum dominated by the leading business and merchant families, closely aligned with the elite families and the decision-making structure.

All of this explains why we find very little debate—in public. That is not to say that arguments are not formulated, issues not discussed or opinions not formed about issues such as energy policy. Decision-makers in ADNOC, IPIC, Mubadala and other energy-related entities undoubtedly have their own opinions and have surely articulated and discussed them, but these debates are not voiced outside the boardrooms. Among the citizens of UAE—that is the 985,000 nationals—it is also highly likely that debates and discussions take place about issues related to the energy sector. However, the deep trust that people have in the traditional system of rule and the lack of access to information dull their wish and ability to participate meaningfully in debates on how natural resources should be managed and the revenues spent. Whether or not opinions are brought before the decision-makers probably depends on the individual's connections upwards in the system, as through kinship ties. Expatriates might have opinions too, but they generally have no access to decision-makers, apart from those expatriates working in the petroleum sector itself.

Institutional Setting

Before unification, each of the emirates that now make up the UAE had a ruling family, a ruler and a governance structure that was made up of the ruler's court. After unification, a federal structure was created which has gradually taken over more and more functions from the emirate-level institutions, including foreign policy, security, defence, basic infrastructure and education (UAE Constitution 2011, Article 58).[2] Notably, the management of natural resources lies outside the jurisdiction of the federal government. Therefore, Abu Dhabi—which, as noted, controls 94% of natural resources in the UAE—in practice makes all decisions related to the development and operation of the petroleum sector within the UAE (Butt 2001).

The key decision-making forum related to the sector is the Supreme Petroleum Council, which is the highest authority responsible for petroleum affairs in the Emirate of Abu Dhabi and also functions as the Board of Directors for ADNOC, with its 55,000 employees (ADNOC 2015). In line with the dynastic nature of the royal families in the Gulf countries, 6 of the 11 members of the Supreme Petroleum Council are members of the royal family in Abu Dhabi (the Al Nahyans), three are Al Suwaidis and one Al Kindi. Both the latter families have for centuries been close allies of the Al Nahyan family (Peterson 2007).[3] The Supreme Petroleum Council is chaired by the president of the UAE and ruler of Abu Dhabi, H.E. Sheikh Khalifa Bin Zayed Al Nahyan, and the Crown Prince Sheikh Mohammad Bin Zayed Al Nahyan, who is the de facto ruler. Thus the Supreme Petroleum Council is at the absolute top of the power structure and holds the key decision-making position within the oil sector.

Reliance on International Expertise

But how do the members of the Supreme Petroleum Council obtain the necessary technical and business insights to enable them to make qualified operational and strategic decisions? Unlike most other oil-producing states in the region, Abu Dhabi opted to retain foreign partners in the sector on a production-sharing basis, allowing foreign companies to own 40% of the oil and gas sector. According to Butt (2001), this was because it was believed that the oil industry would benefit from the advances in technology and the depth of expertise that international oil companies could bring, as well as the simple fact that in the early 1970s, there was a significant lack of local expertise. Abu Dhabi has made no changes to this policy over the years, and ADNOC maintains close relations with its main partners BP, ExxonMobil, Shell, Total and increasingly the Korea National Oil Corporation (KNOC) (Europe Publications 2014). The specific character and impact that these international oil companies have on the operational and strategic decisions taken in Abu Dhabi cannot be documented, due to lack of open sources. However, we can get an impression of the kind of influence that business partners, external consultants

and public discussion have on decision-making in Abu Dhabi by analysing the development of the nuclear energy industry, where more information is available. As noted, in 2008 Abu Dhabi decided to build four nuclear reactors. Construction commenced in 2011, and the first of the four reactors are expected to start producing electricity by the end of 2017. External consultants have been hired to undertake all steps of the strategic design and implementation processes, which includes defining the technical specifications, undertaking the tendering process, carrying out the construction and taking on responsibility for operations. The US firm CH2M Hill was hired to assist the Abu Dhabi government in managing the overall process, that is to function as the primary client consultant. In 2016, an agreement was signed with Korea Hydro & Nuclear Power to bring in 400 experts and run the plant for its first 10 years of operation, until 2030 (World Nuclear Association 2016a).

Due to the political complexity of this arrangement, in 2010 Abu Dhabi set up a highly profiled international advisory group. The nine-member board is chaired by Hans Blix, former Director General of the International Atomic Energy Agency (IAEA), who also headed the UN team charged with searching for proof of weapons of mass destruction in Iraq. The group is tasked with creating transparency in the UAE nuclear programme, to make it evident to the international community that the Emirates are complying with international standards on safety and security for nuclear power plants, radioactive fuel and waste (Hamilton 2010). With this group, UAE has succeeded in establishing a highly qualified and trustworthy multinational peer review of the nuclear programme. The reviews and the processes involved create a valuable sounding board for the Abu Dhabi government in developing its nuclear programme.

The process of attracting the best experts to do this work is seen as typical of Abu Dhabi's general approach to such projects. For instance, David Butter, the Middle East regional director of the Economist Intelligence Unit, has stated: 'It would seem to me that getting Hans Blix would be entirely in line with the Abu Dhabi approach of trying to cherry-pick the best available minds' (Hamilton 2010). The World Nuclear Association (2016b) also observed: 'The UAE set up a model of managing its nuclear power program based on contractor services rather than more slowly

establishing indigenous expertise.' In other words, while it is difficult to document the details of the actual decision-making, this case shows the extent to which Abu Dhabi is willing to include 'global expertise' in planning its energy sector. This is in line with the practice of all Arab Gulf governments of making extensive use of consultants and foreign experts in planning (Saif 2016; Ulrichsen 2016).

Public Debate on Energy Issues

The development of the UAE's nuclear energy industry is not only a significant energy investment but arguably a decision that could be expected to give rise to considerable public debate. Systematic searches in the two leading English language newspapers in UAE, *The National* and *Gulf News*, however, reveal a near-total dearth of news items related to public debate around the development of the country's nuclear power capabilities.[4] Among the few news items dealing with public reflections on this matter is one where the Emirates Nuclear Energy Corporation (ENEC) is reported to have hosted several public forums between 2009 and 2016, aimed at raising awareness and understanding of the UAE's programme for peaceful nuclear energy. In 2013, *Gulf News* reported that more than 4000 residents from across the UAE have attended these forums. Only one news item mentioned the questions raised, however: at one public meeting, people inquired about the prospects of Abu Dhabi citizens obtaining jobs at the plant and also asked what would be done with the nuclear waste (Mustafa 2012). In addition, one news article referred to polls conducted in 2011 and 2013 on public support for nuclear power in UAE. In all, 750 citizens were surveyed, and overwhelming support for nuclear power was found (Mustafa 2013). In other words, the written news media in the UAE cannot be said to reflect genuine public debate on critical energy issues.

An energy issue, which, unlike the nuclear industry, has attracted considerable public debate, at least in the queues at fuel stations, has been the move to liberalize prices on petrol and diesel. In August 2015 the UAE was the first Gulf country to remove subsidies on these fuels. This move received extensive newspaper coverage, but did not attract much negative

debate—basically because the policy was implemented when global fuel prices were low, so low that fuel prices actually fell during the first months after the subsidies were removed. Since then, fuel prices have at no time been substantially higher or lower than the regulated price before the pricing reform (Gulf News 2016).

These observations support the conclusion that public debate on the energy sector in Abu Dhabi is scant at best. Hardly any debate is evident in the news media. That does not necessarily mean that there is no public debate—but indicates that if such debate exists, it takes place in other forums, outside of the mass media.

The Supreme Petroleum Council in Abu Dhabi formally makes all decisions concerning the development and strategic issues related to the oil and gas sector, but it is not specified where decisions are taken concerning the income from oil and gas (and the sizeable returns on foreign investments).[5] Logically, decisions concerning overall allocation should be taken before the income from oil and gas enters the 'visible' budgets like those of the Abu Dhabi government and the federal UAE government or the investment funds.[6] My hypothesis is that the oil and gas income is mainly allocated among the following four entities: (1) funds transferred to the development and investment funds (ADIA, IPIC-Mubadala and the Abu Dhabi national energy company, known as TAQA), (2) allocations for the royal family, (3) funding for the Abu Dhabi government and (4) funding for the federal government system.[7] In line with the logic of the traditional system of rule, decisions on allocation of funds are probably taken within the royal family.

Are there conflicting views on energy policy within the royal family in Abu Dhabi? Again, due to lack of data, we cannot say. The Al Nahyan family is known for keeping any internal disputes and discussions out of the public sphere. What we do know, however, is that Crown Prince Mohammad bin Zayed al Nahyan—the de facto ruler of Abu Dhabi—is a reformer who wishes to diversify Abu Dhabi's economy away from its near-complete dependence on oil and gas and make the state bureaucracy more efficient. He founded and continues to serve as chairman of Mubadala, which aims to build a dynamic and diversified UAE economy. Through this position, he has developed close relations with the business community in Abu Dhabi.

The merger of the two state-owned investment funds IPIC and Mubadala announced in 2016 was intended to increase operational efficiency, as was the promotion of Sheikh Mohammed bin Sultan Al Jaber in April 2016, a dynamic minister of state and top executive at Mubadala, to chief executive of ADNOC. Here he was tasked with establishing a new, commercially oriented mindset among the employees. Further changes in the top management of ADNOC all indicate that Mohammad bin Zayed is seeking to bring on board a younger generation of technocratic managers and to streamline a large and often cumbersome bureaucracy (McAuley 2016). And it could be speculated that long-term strategic considerations are the reasons for choosing a person with a profound understanding of renewable energy to head ADNOC.

While the tribal structures are present and maintained, implying that appointments to executive jobs generally follow a complex pattern mirroring the power of the tribal hierarchy and elite families, Mohammad bin Zayed is an advocate of appointments by merit. In early 2015, a clear signal was sent that even individuals with close and long-established ties to the royal family should no longer take royal protection for granted. For instance, Khadem al-Qubaisi was accused of misappropriating funds and was stripped of all his posts, among them chairman of IPIC. The current drive to promote efficiency, performance and profitability not only in ADNOC's activities but across all sectors in Abu Dhabi probably spurs debate or controversy within the royal family itself, since it alters established norms and practices in making appointments. However, the timing favours the Crown Prince. The collapse in oil prices that started in 2014 nearly halved Abu Dhabi's oil income and exposed the need for substantial reforms that could prepare the country for a post-oil future.

Conclusions

The conclusion of this chapter is straightforward: the traditional structure of rule in Abu Dhabi allows decisions on the development of the petroleum sector to be taken by a narrow group of people belonging to the ruling family and the associated elites. Public debate on issues related to oil and gas is nearly non-existent—at least on the surface. Society is characterized by the

almost total absence of interest groups or public access to relevant information that could form the background for informed discussion. The international approach taken in the development of nuclear power in Abu Dhabi and the deliberate decision to keep international oil companies involved in the hydrocarbon sector underscores the fact that the country's decision-makers rely on international consultants and companies to provide ideas, operational experience and expertise, and probably also strategic guidance in the development and future planning of the sector.

Notes

1. All data related to oil and gas are from OPEC (2016) unless otherwise stated.
2. For a detailed discussion of the relationship between decision-making in the federal institutions and the emirate-level institutions, see Davidson (2005, 185ff).
3. See Davidson (2009) for a detailed account on the tribal structures in Abu Dhabi.
4. The following searches were used for this review: For *The National*: search term Nuclear 'and' power AND 'and' UAE returned 1445 hits. For *Gulf News*: search term Nuclear AND 'and' power AND 'and' UAE returned 1237 hits. For both newspapers the news items were read by the author and grouped according to content.
5. Khalid (2014) quotes estimates that Abu Dhabi should earn as much from its foreign investments and capital gains as from the export of oil and gas.
6. Both the Abu Dhabi government and the federal government prepare budgets; however, they are disclosed only in highlight versions.
7. Abu Dhabi's oil income finances around one-third of the federal budget. It allocated USD 4.6 billion in 2015, while Dubai contributed USD 0.3 billion (Bouyamourn 2014; Salem 2014).

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18

The United Kingdom: Public Debate and the Management of Petroleum Resources

Philip Wright and Juan Carlos Boué

Introduction

The UK's offshore oil and gas industry began life in the 1960s with gas from the southern North Sea basin. Oil then joined in with the celebrated big-field discoveries Forties and Brent in the early 1970s. Oil production peaked in 1999, gas in 2000. The most recent depletion data show that 83% of proven and probable oil reserves and 86% of gas reserves have already been produced. Nevertheless, there are still 204 offshore oilfields and 132 offshore gas fields in production, serviced by 5 onshore oil terminals, 5 associated gas terminals, 6 dry gas terminals and almost 10,000 miles of pipelines. Moreover, there is still considerable interest in the UK's continental shelf, with 30 oilfields and 2 gas fields under

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development. However, the focus of exploration and production efforts has shifted steadily northwards to incorporate the 'Atlantic margins', a challenging environment. Meanwhile, onshore, the possibility of exploiting large shale-gas deposits has drawn a great deal of interest, with the focus being on the Bowland Shale Formation in the north of England.

In order to evaluate the impact of public debate on the management of the UK's petroleum resources, three broad categories of policy are identified: ownership and depletion policy, taxation and other fiscal revenues from upstream oil and industrial relations, health and safety and environmental policy. For each of these strategic aspects of resource management, key policy changes are identified as a testing ground for gauging the influence of stakeholders over the direction of change. However, just by identifying these categories, there is an inference that public debate about the management of petroleum resources requires specialized knowledge—which in turn seems likely to restrict participation and/or its scope. Moreover, the UK oil and gas industry is largely offshore, which immediately distances the industry and its management from political constituencies. Indeed, the title of an article by journalist Ian Jack (2013) is evocative in this respect: 'North Sea oil fuelled the 1980s boom but it was, and still is, strangely invisible'. The contrast here is immediately with the publicity generated by the UK's first incursions into onshore fracking for gas, an activity which, as we shall see, does disturb people's immediate localities, provoking both parliamentary and extra-parliamentary debate.

Ownership and Depletion Policy

Ownership and depletion policy gives rise to the following policy issues related to how sovereignty is exercised over the resources: whether to have complete or partial nationalization of production operations (whether to have a national oil company and what should be the scope of its operations), whether to divest such assets once acquired (whether to privatize), whether to introduce legal instruments capable of implementing a depletion policy and whether to make use of these legal instruments in order to constitute a depletion policy.

It was the Petroleum (Production) Act of 1934 which originally established the UK state's ownership rights over oil and gas resources and an accompanying licensing system, subsequently modified to embrace offshore resources by the 1964 Continental Shelf Act. However, the key legislation related to ownership of production was the Petroleum and Submarine Pipelines Act of 1975, enacted during the Labour government of 1974–1979 in the same year that oil production began. This legislation was unambiguously driven by the Labour Party because it was envisaged in the Labour Party's manifesto when it called a second General Election in that year. If elected, a Labour government would:

> Take majority participation in all future oil licences and negotiate to achieve majority state participation in existing licences. Set up a British National Oil Corporation to enable the Government to exercise participation rights; to play an active role in the future development, exploration and exploitation of offshore oil; and to engage in the refining and the distribution of oil. Its headquarters will be in Scotland. Impose a substantial extra tax on the oil companies' profits from the North Sea – and plug the loopholes in existing taxation. Take new powers to control the pace of depletion, pipelines, exploration and development – and to protect the environment; and nationalise the land needed for the oil platform construction sites. (Labour Party 1974)

The subsequent privatization, between 1979 and 1987, of British Petroleum and the upstream assets of both the British National Oil Corporation (its Britoil subsidiary) and the British Gas Corporation (as part of the privatization of BGC itself) was also driven by party-political ideology, this time that of the Conservative Party. These developments were part of a general move against state ownership of (generally profitable) assets which were capable of being managed by the private sector. Rutledge (2010, 3–10) documents the ex ante motives of these privatizations and concludes:

> In spite of later attempts to portray the government's motivation as being concerned with 'improving the efficiency' of the energy industries the available evidence indicates that the primary objective of the first major energy privatisations was an intense concern to combat what the

> Conservatives saw as a serious threat to the political stability of the country and to undermine what they would later refer to as 'the enemy within', by the creation in the UK of a 'shareholder democracy'.[1]

Depletion policy is a more complex issue, because it is not necessarily confined to controlling *current production* (it may also involve controlling access to potential new resources via licensing rounds and delaying field development consents) and because exercising depletion control requires judgements about inherently unknowable future values of the resource. Moreover, depletion controls, by placing restrictions on production, limit the rights of private sector operators to realize their investments in a way which gives the best returns to shareholders, and they also affect government tax revenues. In the context of the depletion control powers contained in the Petroleum and Submarine Pipelines Act (1975), and of the 'Varley Assurances' which had postponed the potential use of depletion control for fields discovered before the end of 1975 until at least the end of 1982 in order to reassure investors, there was therefore quite a fierce debate about depletion control, as documented by Kemp (2011, 626). This lasted from the mid-1970s, when the debate was initiated by the setting up of an inter-ministerial working group, until the early eighties when the combined weight of Energy Secretary Nigel Lawson, supported by Prime Minister Thatcher, effectively put an end to it. In between there were numerous reports and discussions, including a Parliamentary Energy Committee report which sheds some light on the nature of the public debate over whether to introduce depletion controls. The Committee is one of the parliamentary 'checks' on ministerial power and policy, and 16 witnesses gave evidence to it: four from the Ministry of Energy, one from the Treasury, one from the House of Lords (Lord Balogh, who was also an Oxford academic), two from state companies, four from private companies and four individuals from academia and a think-tank (including Peter Odell, Colin Robinson and John Kay) (House of Commons 1982). In other words, it was a very specialized debate among politicians, corporate interests and experts.

Nevertheless, there was some popular resonance. For example, the Labour MP for Battersea (not known for its oil production), Alf Dubs,

challenged the Energy Ministry over depletion policy in the context of the increase in unemployment during the first Thatcher government:

> *Mr Dubs:* Is not the sad truth that at a time of world glut and falling prices it would be in this country's interest to conserve North Sea oil stocks, and the only reason the Government are not following this policy is the need for revenue to finance the dole queues?
>
> *Mr Gray:* The hon. Gentleman is wrong. There is absolutely no case for delaying development when Britain's main activity must be to stimulate new developments to come on stream once production from the present fields begins to decline. (cited in Hansard 1983b)

The consequence of a lack of a depletion policy was that 58% of the UK's cumulative production of crude oil between 1975 and 2013 was produced in the 16 years of sustained low oil prices between 1986 and 2003 when the international oil price in real terms averaged USD 31 per barrel (DECC 2014; BP 2014). Meanwhile, concern about depletion translated into a concern about *maximizing recovery*, a project overseen by PILOT, the specialized government-industry taskforce (which has one trade union representative). Maximizing recovery was also the subject of a recent major enquiry, the *Wood Report* (Wood 2014). The most recent estimate of remaining oil reserves indicates that 83% of proven and probable UK continental shelf reserves had already been produced by the end of 2014 (DECC 2015).

Taxation and Fiscal Revenues

The fiscal revenues aspect of petroleum resource management, the petroleum fiscal regime, is also complex and probably even less amenable to informed public debate than issues of ownership and depletion—despite perhaps some public appreciation of the importance of oil revenues for public expenditure. Its specialized nature may result in its monopolization by vested interests, particularly in the absence of independent academic scrutiny. And this was how things appeared in 1975, as the UK government sought to capture rent from the country's first oil produc-

tion. Luckily, we have an account from the author of the Petroleum Revenue Tax—the Labour government's chosen fiscal instrument to capture petroleum rents. Edmund Dell, the country's Paymaster General in 1975, summarizes how the company interest made itself felt in the design and implementation of the new tax:

> The introduction of Petroleum Revenue Tax (PRT) in 1975 and its character were influenced by the prevailing political and economic crisis in the UK. The widespread conviction that only North Sea oil stood between the UK government and default made the imposition of a new tax on the profits of oil companies engaged in the North Sea a sensitive exercise. That it was accomplished without a major confrontation was due both to intensive consultation with the oil companies and a readiness on the part of the government to moderate its demands. (Dell 1993, 1)

However, this apparent willingness to placate vested interests in relation to the initial construction of a fiscal regime was as nothing compared to the extreme views of the preceding Conservative government. In December 1972, the following exchange took place during House of Commons Committee hearings between MP Martin Maddan and Sir Robert Marshall, the Secretary of State for Trade and Industry (House of Commons 1973):

Maddan Q: does British government want 'to see a limit on the speed of exploitation of the United Kingdom Continental Shelf'?

Marshall A: No.

Maddan Q: Does government not 'want to do things which will make that exploitation slower'?

Marshall A: '(t)hat is right'.

Maddan Q: Does 'charging, whether for concessions by auction or otherwise, and … the imposition of royalties, have any effect on the speed with which organisations wish to exploit these resources'

Marshall A: 'in our judgment and in the judgment to the best of my knowledge of all the western countries with which we discuss these things, very much'.

Maddan Q: 'if the United Kingdom Exchequer sought **not to gain a penny from these things** the exploitation would go ahead quicker?'.
Marshall A: '**absolutely yes**'.

This interchange, which brings together the issues of both depletion and taxation, could be described as an extreme version of the philosophy behind a 'non-proprietorial' petroleum fiscal regime, as distinct from a 'proprietorial' regime (Mommer 2002, 224). The latter refers to regimes in which the state behaves like a landlord requiring rent for the use of a country's hydrocarbon resources—just like a landlord who rents out an apartment to a tenant. The fiscal instrument symbolic of such a regime is the use of royalty to deliver the majority of government revenues from its oil sector. Under a 'non-proprietorial' regime, in contrast, the state becomes concerned about the relationship between its taxation practices and the prospective production and profitability of the companies producing from its sovereign resources. The parallel in the world of property letting would be that of a landlord concerned about variations in the income of his/her tenant to the extent of varying rent in response to variations in the tenant's economic circumstances. Such a governance regime would certainly surprise tenants of rented property, and it is also odd in the context of petroleum governance, for at least three reasons: (a) it appears to give precedence to the company interest, (b) it is curious that such largesse should be applied to an industry which experiences huge windfall profits at times of high oil prices and (c) it seems foolish to try to resist market forces with per barrel tax breaks which are insignificant in the context of major gyrations in oil prices.

And yet, echoes of Sir Robert Marshall's non-proprietorial sentiment became stronger as the 1980s progressed, such that the Labour Party's 1970s efforts to secure petroleum rent for the nation almost appear to have been an aberration: the UK's petroleum fiscal regime became increasingly non-proprietorial as royalties were differentially applied (1983, 1989) and then abolished (2002), and PRT was reduced and abolished for some (1993). This left the UK's petroleum fiscal regime increasingly dependent on a declining standard Corporation Tax (down from 52% in 1983 to 30% in 1999), and although a supplementary Corporation Tax

Charge was introduced in 2002, rising to 32% by 2011 before being cut back to 20% in the 2015 budget, this did not result in an increase in rent capture (Boué and Wright 2011).

This trend does not mean that there was no public debate, at least inside Parliament. At the very inception of the series of reductions in royalties, John Smith, a future leader of the Labour Party, and Shadow Energy Secretary at the time, delivered a House of Commons attack on this Conservative government policy (Hansard 1983a):

> *Mr John Smith* (*Monklands, East*): During the debate on the Gracious Speech I made it clear, as the Secretary of State noted, that the Labour party opposes the proposals in the Bill. Nothing the Secretary of State has said today by way of explanation or apology moves me to amend that judgment in any way. The Government are saying that henceforth the nation is to abandon its right to receive a royalty for the exploitation of its oil resources for any of the new oil discoveries and developments that occur in the largest part of the North Sea. That is a major departure from the whole approach to the obtaining of a proper return for the nation from North Sea oil. It is my submission that it upsets significantly the balance between a proper return for the state and a reasonable encouragement of exploration and development that must be at the heart of any sensitive North Sea policy.

However, the outcome indicates that the company lobby was more successful in fashioning public debate than the Labour Party. That the UK's tax authority was completely won over to the company perspective was reflected in the 1993 decision to exempt new fields from PRT (which was also reduced to 50% at the time) and is corroborated by the government's official historian of the UK continental shelf, Alex Kemp (2012, 1047):

> A different problem was that any economic rents from new fields would be taxed at a very low rate. The Inland Revenue became increasingly attracted to this option, stressing the advantages of improving the cash flows from existing investments which would please the industry, and improving the upside potential for the industry with respect to future discoveries.

Did academics influence this drive towards weakening the UK's petroleum fiscal regime? In one sense this may be difficult to judge because the

apparent influence of some academics may simply be because they are, wittingly or unwittingly, uncontroversial in the context of the dominant company interest. This in turn gives rise to the vexed issue of the extent to which academics can be independently influential if they are directly linked to the company lobby. A case in point is that of Kemp who, as well as being official historian of the UK continental shelf, was the Schlumberger Professor of Petroleum Economics at the University of Aberdeen (Schlumberger being a major oil services company) and also took on commissions from the company lobbying organization, the UK Offshore Operators Association, later to become Oil and Gas UK (see, e.g. UKOA 2004, 6). Of course, companies will argue that their sponsorship involves no restrictions on academic freedom, but it still seems unlikely that they will queue up to sponsor academics who are critical of their privileges. This problem has also arisen in the context of industry sponsorship of other academic disciplines, particularly by the pharmaceutical industry.

Although the purity of academic influence may be clouded in such ways, it is still useful to consider the impact of the considerable academic noise which surrounded the landmark 1993 reductions Petroleum Revenue Tax. To do so we are fortunate to be able to draw on Nakhle's (2008, 57–63) summary of the lively debate between 22 academics around this issue, as well as around the abolition of royalties and the suitability of Corporation Tax as an instrument for capturing petroleum rents. This includes the famous comment by Robert Mabro (former Director of the Oxford Institute for Energy Studies), in a 1994 letter to the *Financial Times*, in which he compared abolishing royalties to the government giving away rent-free buildings to businesses and only charging them corporation tax on their profits. Nevertheless, this debate can reasonably be described as an exercise in academic impotence, because none of the 22 academics advocated both the abolition of royalties *and* the dismantling of PRT, which was the policy turn which governments chose to make. Indeed, Kemp's text confirms that inside the corridors of power, the arguments of academics were swamped by a powerful and well-organized company lobby (Kemp 2012, chap. 6).

Finally, let us devote some attention to the role of Scotland in the public debate about the taxation aspect of petroleum management in the UK. 'It's Scotland's Oil' was the slogan which led to early successes for the

Scottish National Party (SNP) in the 1970s, and since that time, the prospect of owning most of the UK's oil and gas resources has underpinned ambitions for an independent Scotland. In practice, however, the large number of Scottish jobs dependent on oil and gas production has tempered this aspiration: higher taxation of upstream oil and gas which might help fund independence might also threaten jobs. Almost 30 years ago, Charles Kennedy MP was putting jobs before tax revenues in the context of the fall in oil prices which occurred in 1986:

> Mr Charles Kennedy MP also wrote to Mr Lawson itemising in detail the dire shortage of orders for the construction yards in his Highland constituency, and requested tax reliefs, particularly the breaching of the PRT field ring fence for development costs. (Kemp 2012, 935)

Moreover, while the recent campaign for Scottish independence again raised the profile of oil tax income as a source of finance for an independent Scotland, concern about jobs again held sway. In the run-up to the independence referendum in September 2014, the Scottish government pledged not to increase taxes on the oil industry (Scottish Government 2013, 18). Subsequently, the dramatic fall in oil prices since mid-2014 saw the Scottish government pleading for tax breaks to counter job losses, a perspective which has tended to turn the Scottish lobby into an adjunct of the company lobby, even invoking the explicit support of Malcolm Webb, Chief Executive of UK Oil and Gas (*Daily Mail* 2015).

Health and Safety, Industrial Relations and the Environment

Kemp (2012, 1533) records that 380 workers perished in offshore accidents between 1965 and 2000, and a further 1172 sustained serious injuries. However, this substantial toll has sparked public interest only in the context of major accidents, particularly the explosion on the Piper Alpha platform in 1988, which killed 169 of the 229 people on board in 22 minutes. Public debate has been reactive to disasters, in the case of Piper Alpha taking the form of a public enquiry chaired by Lord Cullen, which produced 106 rec-

ommendations for improving the safety of offshore operations (Cullen 1990). Similarly, a number of accidents involving the Super Puma helicopter during the transfer of workers offshore, culminating in the August 2013 crash which killed four people on the approach to Sumburgh Airport in the Shetland Islands, triggered a public debate and a House of Commons Committee Enquiry (House of Commons 2014). However, whether this form of public debate will prove effective in preventing such accidents in the future remains to be seen—for this accident was not prevented by the lessons learnt from the Chinook crash in 1986, which killed 45 workers in an approach to the very same airport (Woolfson et al. 2013, 105).

The main reason why health and safety offshore has evaded the public spotlight is because its offshore nature has served to weaken industrial relations and union bargaining power. Right from the outset during the 1970s, the importation of the American model of industrial relations made for an environment which was highly antagonistic towards unionization (Woolfson et al. 2013, 480), and, despite progress in claiming workers' rights, notably in the formation of the Offshore Energy Branch of the RMT (National Union of Rail, Maritime and Transport Workers), reactions to the 2013 helicopter disaster confirm that fear of speaking out is still damaging offshore health and safety (Guardian 2013a). The words of popular songwriter Nancy Nicolson, from the time when she wrote an angry lament for the Piper Alpha dead, are unfortunately still relevant: 'The money-wells in the North Sea are owned by immensely rich companies and fed by workers' lives. The men off-shore have to watch their tongues or lose their jobs. We can be their voices' (*Education Scotland* 2015).

The environmental issues related to UK oil and gas production are global warming, marine pollution, the implications of decommissioning and, most recently, the environmental consequences of onshore 'fracking' for shale gas. However, the issue of global warming is not specific to the UK continental shelf—it is part of a wider national and international debate about the production and consumption of fossil fuels. Marine pollution, on the other hand, is a perennial UK continental shelf issue, with public debate tending to be reactive to specific events—as has been the case with health and safety, except that insidious environmental damage does not usually have the publicity profile of a major accident. Perhaps the most famous example has been the 1995 Greenpeace campaign to

stop Shell from sinking its abandoned oil-storage buoy, Brent Spar, which, while successful, was ultimately flawed in terms of fomenting public debate because the Greenpeace estimates of the amount of oil still left in the buoy were wildly exaggerated, an error for which the NGO was obliged to apologize publicly (*Independent* 1995). Since then, and despite Greenpeace's campaign to defend the North Sea, it has been business as usual for this environment: in 1 month of 2013, for example, there were 55 recorded instances of oil or chemical leaks from offshore platforms, including one from Piper Alpha (*Guardian* 2013b). There has been publicity, but unfortunately little in the way of effective public debate.

Offshore, attention is now turning to decommissioning which the Royal Academy of Engineering (2013) estimates will require the safe disposal, over the next 30 years, of 8 installations with large concrete substructures, 31 installations with large steel jackets, 223 other steel jackets, 280 subsea production systems, 21 floating production systems. over 3,000 pipelines and around 5,000 wells. To convey the scale of this task, the Royal Academy draws on the experience of Norway's decommissioning of eight platforms from the Ekofisk oilfield which 'is equivalent to three times the weight of all the cabs in London or 54 London Eyes' (Royal Academy of Engineering 2013, 3). Let us hope that the quality and effectiveness of the public debate around this exercise rises to the scale of the challenge and its environmental implications.

A sharp contrast with the level and extent of public debate about offshore health, safety and environmental issues has been the expected shale-gas revolution. Shale gas proved immediately controversial, firstly because the prospective reserves are onshore and secondly because early fracking efforts triggered two small earthquakes in the county of Lancashire in April and May 2011, which led to a moratorium on fracking until 2012, following public protest. Nevertheless, and in the context of increasing natural gas import dependency, the political debate at the level of Parliamentary enquiries and think-tank reports has been generally enthusiastic, led by the former Prime Minister's declaration, 'We're going all out for shale' (*Guardian* 2014).[2] Symbolic of the expert enthusiasm was the dismissal of the earthquake problem by University of Strathclyde's Professor Shipton, 'The magnitude 2.3 event in Blackpool is like a lorry going past your house. In fact, the British Geological Survey can't mea-

sure below magnitude two in towns because of the traffic' (ENDS 2013, 12). However, such views have not resonated with the public, as protestors have taken to the streets in Lancashire (*Guardian* 2015), and websites such as frack-off.org.uk, an 'Extreme Energy Action Network', have come into to being to inform and orchestrate resistance to an activity which also threatens water quality and brings into sharp relief the continuing determination to exploit fossil fuels at the expense of the environment.

Conclusions

While there certainly has been debate about various aspects of the management of the UK's oil and gas resources over the four decades since oil production took off, it has not been a very public or accessible one, and its main thrust has been dominated by the company lobby (with the Scottish lobby in the wings), mostly untempered by any coherent alternative independent perspective from the side of government (although there have been times when the ideological thrust of political parties has been influential). An important background feature is that the sector has not been as dominant in the UK's economy as it has been for some other oil-producing countries. This, plus the industry's offshore nature and the lack of a state oil company, have contributed to its relatively low profile. Such a conclusion is corroborated by the fact that once the character of resource exploitation changes, with the industry moving onshore and deploying a controversial technology, as was the case with the UK's first forays into shale-gas fracking, civil society and public debate are immediately activated.

If the hypothesis of this book is that the absence of a wide and informed public debate, untinged by vested interests, will have negative consequences, such a hypothesis could certainly be postulated for the UK. This chapter has shown that the debate about the country's petroleum fiscal regime has been remote and tinged by vested interests, characteristics which may be associated with the recognized weakness of the UK's petroleum fiscal regime compared with those of neighbouring countries, including very minor producers. Figure 18.1 shows that, since the early 1990s, the proportion of the value of oil and gas sales represented by the UK's

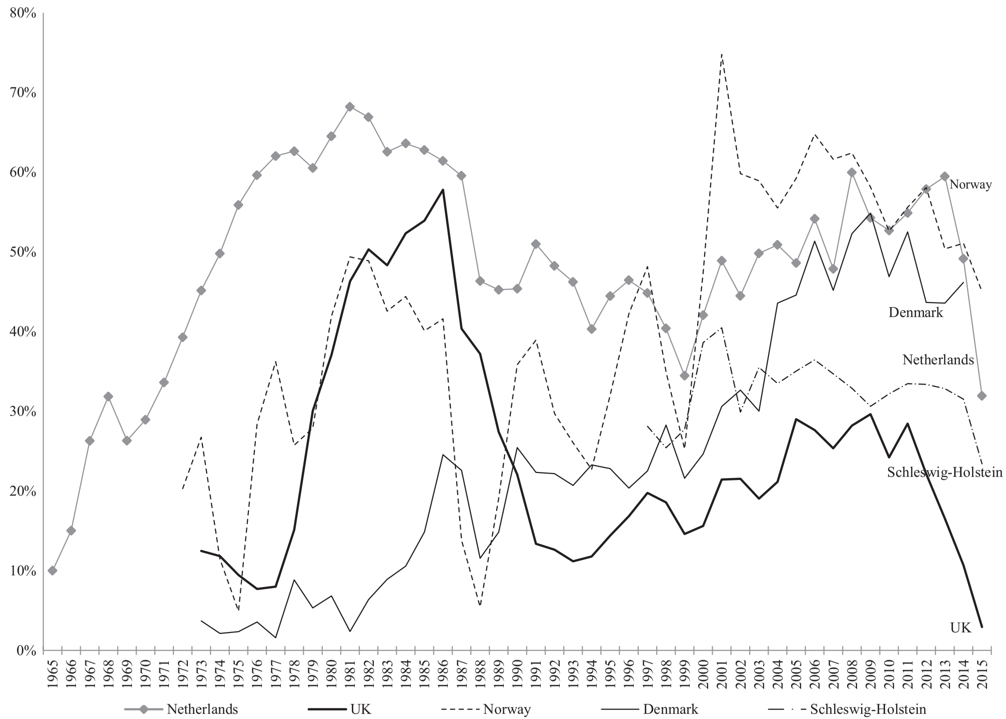

Fig. 18.1 Effective tax rates for hydrocarbons production around the North Sea, 1965–2015. Sources: authors' calculations, based on the oil and gas sector (upstream) sales revenue data and the tax and royalty income data published by the governments of Denmark (Danish Energy Agency), the Netherlands (Natural Resources and Geothermal Energy in the Netherlands; National Accounts), Norway (Norwegian Petroleum Directorate) and the UK (National Statistics). For Germany, the Schleswig-Holstein data were drawn from the annual accounts of Wirtschaftsverband Erdöl und Erdgasgewinnung e.V. (WEG) and BASF A.G.

fiscal revenues from upstream oil and gas (the Effective Fiscal Take Ratio) has been below that of Denmark, Germany, the Netherlands and Norway.

Of even greater public concern, in 2015–2016 the UK's tax revenues on upstream oil and gas slumped to just GBP 43 million without provoking any kind of public debate, even though these revenues from 1.6 million barrels of oil and gas production per day (OGA 2016a, b) were actually less than the GBP 46 million in royalties received by the German state of Schleswig-Holstein from just 25 thousand barrels per day of production (WEG 2016, 14).

Notes

1. During the 1984–1985 miners' strike, Mrs. Thatcher famously branded the miners and their supporters as the 'enemy within'.
2. Most of the documented concerns about shale gas are conveniently brought together in a briefing document by the UK Parliament's library research staff (House of Commons 2015). Just a couple of important items appear to be missing: Chatham House's contribution (Stevens 2013, 10) and an ENDS Report (ENDS 2013).

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19

Venezuela: Public Debate and the Management of Oil Resources and Revenues

Ricardo Villasmil

Introduction

Ever since the oil price boom began in 2004, Venezuela has worked hard to become the poster child of natural resources and their revenue streams. Despite having the largest oil reserves in the world and having been at the receiving end of the longest and largest oil price boom in history, Venezuela managed to seriously cripple its domestic oil industry and its national oil company in particular through political capture, saddling it with social and political mandates, non-oil investment-related debt, firing most of its best-trained professionals and destroying its credibility in the oil industry and in the financial markets. Furthermore, the country squandered resources far and beyond the extraordinary revenue

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stream. As a result, Venezuela now finds itself overburdened with high public debt, significant arrears and unsustainable external and fiscal deficits.

Mismanagement has not been confined to the petroleum sector. Venezuelans now experience widespread scarcity of essential goods, exploding inflation, high and growing levels of violence, recurrent violations of political and civil rights, human and financial capital flight, political conflict with neighbouring countries and a rapid deterioration in the capacity of the state to provide even basic public goods, let alone the protection of life and property. Moreover, these problems began surfacing *before* the oil price collapse of the second half of 2014. And after that, of course, the situation took a turn for the worse.

The extreme nature of the Venezuelan experience makes it a case well-suited for examining the general argument presented in the introductory chapter of this book. With Venezuela, the hypothesis would be that the disastrous evolution described above is the result of dysfunctional institutions for resource and revenue management and that these, in turn, are the result of a lack of open and dynamic public debate in the country. This chapter analyses the validity of this hypothesis in the case of Venezuela.

The first section presents and describes Venezuela's recent experience from the management of its petroleum resources and revenue. The second section provides an assessment and discussion of the current state of the institutional indicators relevant to the management of petroleum resources and revenues. Next follows an assessment of the role played by public debate in the outcomes described above. The fourth section reassesses the general validity of the general hypothesis of this book in light of a puzzling feature of the Venezuelan experience, at least with regard to the resource curse literature: throughout the five decades that followed the discovery of large-scale oil deposits in 1922, Venezuela's performance was nothing short of phenomenal in terms of economic, social and institutional indicators. My argument can be summarized as follows: the institutional arrangements that governed the petroleum sector and its relations with key players (mainly the state and Venezuelan society) were efficient in static terms—that is, under the particularly favourable conditions that characterized the period 1922–1972—but

lacked dynamic efficiency, the capacity to evolve and adapt to the radically different environment that emerged afterwards. Open public debate was a key victim of the economic, social and institutional decomposition that followed, and any future attempts to reconfigure the institutional matrix should take this into account. Finally, the fifth section of this chapter sums up the analysis and offers some conclusions.

Venezuela's Recent Experience with the Management of Oil Resources and Revenues

Hugo Chávez came to power in 1999 promising drastic changes in the management of oil resources and revenues. In real terms, oil prices were at a 25-year low and poverty rates just below the 25-year high of 1996. Chávez saw the collapse in oil prices as a natural consequence of the oil glut created by an ill-conceived—and, in the Venezuelan case, illegal—opening up of large oil reserves to foreign investment, a policy that had been designed by the oil majors and large oil-consuming nations, lobbied by the International Monetary Fund and other multilateral organizations and followed by Chávez's two predecessors.

Chávez adopted a three-pronged strategy: 1) a stridently resource-nationalist rhetoric, 2) radical organizational and legislative changes, enacted through the use of executive powers with scant public consultation and enforced with almost-theatrical violence; and 3) boldness in action, bolstered by a string of early victories and recognition of the opportunities and the leverage provided by momentous changes underway in the world economy and in the oil market in particular. These changes pushed oil prices to record levels and shifted power from the oil majors to national oil companies and from Europe and the USA to China and India.

The government followed this strategy in a patient and piecemeal fashion that proved successful in reshaping key oil resource and revenue management institutions as well as in gaining control of all the relevant players in the game. The former was done chiefly through the enactment and implementation of the new Liquid Hydrocarbons Law of 2001, the

passing of the Central Bank reform law of 2005 and a sequence of special laws governing new taxes on oil revenues.

The first concrete expression of a policy shift came in November 2001, when the government made use of an enabling law to approve a new Liquid Hydrocarbons Law that increased royalty rates from 16 to 30% and lowered the income tax rate applicable to conventional oil activities from 67.7 to 50%, with a 34% rate for non-conventional or extra-heavy oil activities. The new law also stipulated a government share of no less than 51% in any new venture in Venezuela's oil sector, but did not impose conditions on existing associations, recognizing that the new terms would render them commercially unviable at existing oil price levels. The technocratic management of the national oil company Petróleos de Venezuela (PDVSA) was taken over after a failed oil workers' strike in 2002.

In 2004, the price of Venezuelan oil jumped to USD 32 per barrel, a sharp increase from the USD 14 per barrel price current when these associations were formed, and royalties on oil production coming from the Orinoco Oil Belt were increased from 1 to 16%. In 2005, the price of Venezuelan oil climbed to USD 46 per barrel. Due to its failure to adjust the parameters of contracts awarded at much lower price levels, PDVSA was paying an average of about USD 18 per barrel to the operators of service agreements—compared with production costs of USD 5 per barrel in PDVSA's own operations. Again, the government decided to force the companies into accepting the shift to joint ventures established in the 2001 Liquid Hydrocarbons Law in a way that portrayed the companies as bandits. In the end, 26 of the 32 service agreement operators accepted the new terms, perhaps indicating that these terms might have been negotiated without the trauma caused by this process.

In May 2006, the government imposed the terms stipulated in the 2001 law on companies operating in the Orinoco Oil Belt. This included a change in ownership where the government now owned no less than 51% of the shares, the above-mentioned tax structure (royalties at 30% and income tax at 50%) and the jurisdictional sovereignty of Venezuelan courts. BP, Chevron, Statoil and Total agreed to stay under these new

terms. ConocoPhillips and ExxonMobil decided to leave, and the government confiscated their assets.

The 2005 Central Bank reform was arguably the most dramatic change affecting the management of the petroleum sector in Venezuela. Instead of all foreign exchange revenues having to be sold to the Central Bank, PDVSA would now be required to convert only the amount needed to pay its expenses, taxes and other contributions. Together with contributions from the Central Bank above what the government determined to be optimal levels of international reserves, the rest would be transferred into a newly created national development fund, Fondo Nacional para el Desarrollo Nacional (FONDEN). These funds would be managed at the President's discretion and with no obligation to comply with otherwise mandatory transfers to state and local governments. Between 2005 and 2012, FONDEN received over USD 117 billion, all with negligible accountability and no oversight by the National Assembly.

The most salient special law governing taxes on oil activities is the 'Decree with the Rank, Value and Force of a Law Creating a Special Contribution on Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market' (Extraordinary Official Gazette 2011). This replaced the Law on Special Contributions over Extraordinary Prices of the International Hydrocarbons Market (the 'Law'), published in the Official Gazette No. 38.910 dated 15 April 2008, and created a new contribution to be determined by international quotations of Venezuelan crude.

The government gained greater influence over the petroleum sector: by taking control of PDVSA after the failed 2002 oil-worker strike; by absorbing or reducing the leverage of existing private partners, operators and service providers in the oil industry; by taking absolute control of the National Assembly and the Supreme Court after the opposition boycott of the 2005 elections; by selecting PDVSA as provider of choice for a growing number of private and public goods and social services, many outside its sphere of expertise;[1] and by silencing the opposition media through political and economic coercion or outright closure or expropriation.

In an extraordinary turn of events, President Chávez regained his powers after the difficulties of 2002 and 2003—two nationwide strikes, dozens of massive demonstrations calling for his dismissal and early opinion polls predicting he would be ousted from the presidency in a midterm recall referendum. Scarcely 3 years later, his hold on power was virtually uncontested and unchecked, particularly when it came to the country's petroleum resources and revenues.

The drastic nature of the changes in the management of petroleum resources and revenues was ideologically justified by the need to do away with representative democracy, along with other conservative features of a bourgeois state, in favour of participatory democracy and the revolutionary arrangements of twenty-first-century socialism. The price paid for choosing this route, however, was a hefty one. PDVSA became increasingly opaque and spiralled into growing operational and administrative chaos. International agencies (including OPEC and the IEA) as well as independent consultants began to question official production figures and other statistics. Partners and service providers were increasingly paralysed by uncertainty. Production figures tumbled: PDVSA's 2006–2012 business plan established a production target of 5.837 million barrels per day in 2012—an increase of 2.516 million barrels per day from 2006—but official figures state that production in 2012 was 2.910 million barrels per day (411 thousand barrels per day below target) (*Petroleum World* 2007). Moreover, accidents during operations increased in frequency and intensity, and despite the rapidly rising oil prices, mounting debt and arrears indicated that the financial situation of PDVSA and the public sector as a whole was becoming increasingly unsustainable—again, long before the oil price collapse of 2014. Venezuela's annual report on Form 18-K to the US Securities and Exchange Commission for the fiscal year ending 31 December 2013 recognizes the existence of consolidated public sector deficits of 17.5 and 16.9% of GDP for 2012 and 2013. Meanwhile, Central Bank data on foreign public debt rose from USD 26.4 billion at the end of 2003 to USD 38.8 billion by the end of 2008 and USD 112.6 billion by the third quarter of 2014 (the latest available official information). This figure does not include significant and growing arrears with private importers, government partners and service providers, among others.

Current State of Institutional Indicators

Venezuela does not participate in the Extractive Industries Transparency Initiative (EITI), a global multi-stakeholder initiative promoting transparency and good governance in natural resource management. As of November 2016, the EITI had 41 implementing countries. Membership requires from each government a clear commitment to transparency, a work plan setting the objectives for what the country wants to achieve with the EITI and a multi-stakeholder group with the participation of companies and civil society.

Other indicators show significant weaknesses in terms of many relevant variables relevant to the management of petroleum resources and revenues in Venezuela. FONDEN, the oil revenue and excess international reserves fund, provides very little information, and that only sporadically, regarding the use of more than USD 100 billion that have been channelled through it since its establishment in 2005 (Reuters 2012). As mentioned above, PDVSA and the Oil Ministry provide minimal operational and financial information and then only with great delays. Moreover, the government has taken deliberate steps to avoid having to provide information to the US Securities and Exchange Commission. The only information on oil resources and revenues that is regularly published is the basket price for Venezuela's oil—again, without any details on the presumably varying composition of the basket.[2]

The 2015 Worldwide Governance Indicators ranking, produced by the World Bank, ranks Venezuela quite unfavourably on all its dimensions. The ranking system indicates the percentage of countries that rate below the given country. Venezuela's percentile ranking results include: voice and accountability (18.72), political stability/violence (18.93), government effectiveness (10.10), regulatory quality (2.88), rule of law (0.48) and control of corruption (4.81). The Open Budget Index gauges whether governments provide the public with timely access to comprehensive information contained in key budget documents in accordance with international good practice standards and gives countries covered by the Open Budget Survey a transparency score on a 100-point scale. In 2015, Venezuela was placed in the 'scant to none' category, 94th out of the 103 countries surveyed. With a score of 23/100, the government was found

to be 'weak' in providing the public with opportunities to engage in the budget process; with its score of 39/100, also the legislature was weak in its performance of budget oversight. The 2014 Corruption Perceptions Index ranks Venezuela 161st out of 175 countries, with a score of 19/100. The 2013 Global Corruption Barometer, produced by Transparency International, found that 57% of Venezuelan citizens held that corruption had increased substantially in the preceding 2 years, 8% that it had increased somewhat and 19% that it had remained the same; only 11% felt that it had decreased little and 6% that it had decreased. Moreover, 57% found the government to be very ineffective in attacking corruption, 19% ineffective and 24% very effective.

The situation regarding transparency and accountability worsened considerably in 2015 and 2016. PDVSA and the government have become increasingly opaque regarding operational and financial performance indicators. In its defence, the government has argued that economic performance data are being used by oppositional forces to generate unrest among the population. In late 2015, the Central Bank stopped publishing macroeconomic data, including key statistics such as inflation, GDP and balance-of-payments accounts. In addition, fiscal data provided by the Ministry of Finance are scant and outdated.

Assessment of the Role Played by Public Debate

The animosity of the Chávez government towards representative democracy and the promotion by Chávez of 'participatory democracy' in its place heralded a new form of public debate in Venezuela. The legitimacy of forums like parliament and the media, and of participants like opposition leaders, government bodies, political parties, NGOs, business and labour organizations and independent media, has been severely questioned; people are shunned, harassed and silenced in various ways. In addition, the separation of powers of government institutions has been all but erased.

The 2015 World Press Freedom Index ranks Venezuela 137th out of 180 countries surveyed. Freedom House's 2013 Global Freedom Rankings

places Venezuela in the 168th position out of 197 countries surveyed—and therefore in the 'Not free' category:

> [President] Maduro's administration hampered the opposition media by arbitrarily fining outlets, enforcing licensing requirements without respecting due process rights, and excluding certain outlets from access to public information. High-level government officials constantly demonized opposition-aligned outlets and exerted systematic pressure on the tone and content of reporting.

According to the 2014 Human Rights Watch *World Report on Venezuela*:

> the accumulation of power in the executive branch and the erosion of human rights guarantees have enabled the government to intimidate, censor and prosecute its critics. While many Venezuelans continue to criticize the government, the prospect of facing reprisals – in the form of arbitrary or abusive state action – has undercut the ability of judges to fairly adjudicate politically sensitive cases and forced journalists and rights defenders to weigh the consequences of publicizing information and opinions that are critical of the government. (Human Rights Watch 2014)

As the many instances of politically motivated harassment, prosecution and even sentencing attest, the reprisals are all too real.

As an alternative to representative democracy, the regime has advanced the idea of 'participatory democracy', implemented through a new architecture referred to as the 'Communal State' and defined by new forms of participation of the population, self-organized in popular assemblies, communal councils and other arrangements that underpin what it terms 'twenty-first-century socialism'. This alternative was rejected in the 2007 Constitutional Proposal—but has nevertheless been advanced, in clear violation of the Constitution, through the approval of a series of laws and executive action by the Ministry of Communes.[3]

The Communal State is an illiberal state where appointments and decisions are made in assemblies. Elected representation through suffrage and democratic means is replaced by spokespersons who may be dismissed by the assembly. The Human Rights NGO Provea sees it as a 'type

of community participation that does not comply with the characteristics of freedom of association and assembly, reiterating its discrimination on account of political reasons' (Provea 2014). And Margarita Lopez Maya, a Venezuelan historian and political analyst, argues that 'instead of reaching for a greater and deeper decentralization of State powers in order to give way to a strengthening of society, the empowerment of popular organizations and expanded citizenship, we advance instead towards the recentralization of the Petrostate, its strengthening against civil society and the manipulation from above of community organizations from the top…' (López Maya 2014).

Challenging the Concept of a 'Resource Curse': Oil Resources, Public Debate, Institutional Strengthening and Economic Development in Venezuela 1922–1975

The picture that emerges is one of Venezuela as a classic victim of the 'resource curse', certain to be confirmed if the analysis were extended back to the late 1970s, when the country began its long and tragic economic, social and political decline. Indeed, Venezuela during the period 1978–2014 ranks as the worst-performing economy in Latin America and one of the worst in the world. Between 1978 and 2010, Venezuela had the third-lowest cumulative GDP per capita growth rate (a negative 12%) among the 45 countries with data since at least 1978 in the Angus Maddison database.

However, if we look even further back in time, to the first half century after oil was discovered (1922–1973), a strikingly different story of economic, social and institutional emerges, together with sharply different attitudes towards public debate regarding oil resources and revenues. During this period, Venezuela stood out as the one of best economic performers in the world, with noteworthy achievements in public health, literacy, education, basic infrastructure and, importantly, democracy and civil liberties in a region marred by military dictatorships and civil rights abuses. Between 1922 and 1957, Venezuela ranked first in the world in

terms of cumulative GDP per capita growth among the 48 countries with data since at least 1922 in the Angus Maddison database (711%, followed by the USSR with 485%). Extending the analysis to 1972 (the year preceding the oil shock), we see that Venezuela ranked second, a cumulative GDP per capital growth of 756%, surpassed only by the USSR with 892%.

How can we account for this reversal of fortune? How could oil disguise itself as a powerful engine of political, economic and social progress for five decades before revealing itself as a curse? To answer this question, we must go back in time.

On 14 December 1922, Venezuela made the front page of the *New York Times* with a picture of *Los Barrosos II*, an oil well in the Maracaibo basin, blowing a column of oil 200 feet into the air after destroying the derrick. 'The most productive in the world', read the accompanying article—and immediately, international oil companies began the scramble for oil concessions.

The financial terms governing pre-existing oil concessions were highly favourable for investors, the result of a lack of interest in a malaria-infested tropical country lacking basic infrastructure and with dubious prospects of mineral riches. The eventual discovery and exploitation of oil was followed by legal struggles between the Venezuelan government and the concessionaires, with the latter getting the upper hand time and again as a result of the legal strength of their contracts and the diplomatic leverage of their parent companies with the US and British governments.

In the early 1940s, however, the tide turned in favour of Venezuela's demands, due to changes in external and domestic conditions as well as skilled negotiating by the Venezuelan government.[4] The most salient external change was the heightened strategic importance of securing access to Venezuela's oil after the 1938 Mexican Revolution and the USA's new 'Good Neighbor' policy towards Latin America. And on the domestic front, pressures came for modernization in the political arena as a result of rapid economic and social changes.

The 1943 Hydrocarbons Law was subjected to an unprecedented process of public consultation and discussion. On 17 January 1943, the government called for a public discussion in which 20 representatives from

different sectors of society—including Romulo Betancourt, the fiercest and most important opposition leader—expressed their positions in front of more than 50,000 Venezuelans.

The 1943 Hydrocarbons Law and the accompanying 1944 Income Tax Law allowed for a rapid and sustained expansion between 1944 and 1970 of both oil production and tax rates. In turn, the resultant expansion in oil revenues allowed Venezuela to become one of the best economic, social and political performers in the region, perhaps in the world (see Figs. 19.1 and 19.2).

Analysis of two other key events related to oil resource and revenue management—the government's 1961 decision not to grant new oil concessions and the 1975 Nationalization Law—shows that they were made in the context of widespread consultation and open public debate under a relatively strong institutional framework (see Table 19.1).

Monaldi and Penfold (2014) argue that the oil boom and bust of the 1980s ended a weak cooperative framework based on rent-sharing and sent the country into a downward spiral. The trigger was the 1973 oil boom, misinterpreted as a permanent shock. Under the cooperative game, a growing 'pie' meant greater pressure from all players to obtain what each saw as its fair share. When it became evident that the shock had been a temporary one, it was already too late. The authorities were forced to deal with large fiscal and balance-of-payments deficits, significantly amplified by the sudden increase in foreign debt payments due to the hike in interest rates prompted by a contractionary monetary policy aimed at reducing inflation in the USA. The reluctance of the commercial banks to renew sovereign loans after Mexico defaulted in 1982 forced Latin America as a whole into the debt crisis and the protracted recession that became known as 'the lost decade'. Venezuela became one of the worst economic, social and political performers in the region and in the world (see Fig. 19.3).

As noted by Naim and Piñango (1985) and by Monaldi and Penfold (2014), the institutional framework was simply not designed to deal with large and sudden reductions in oil revenues. The tacit cooperative framework between PDVSA and the government broke down in 1983, as a

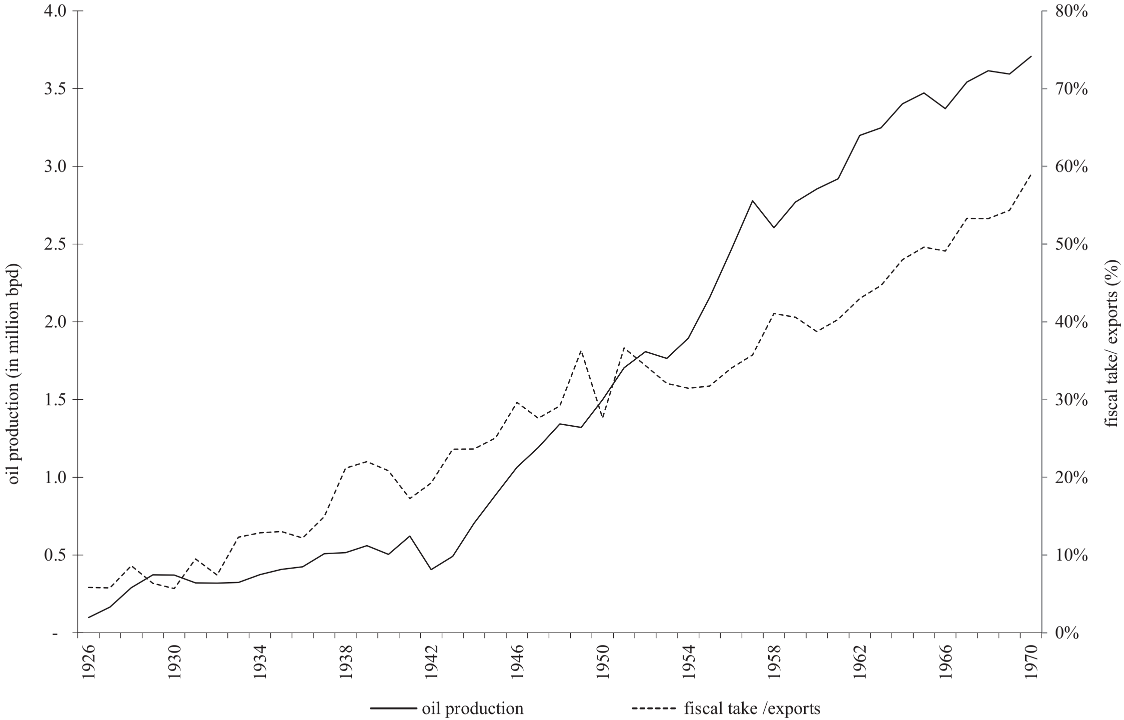

Fig. 19.1 Oil production and government take on oil exports, 1926–1970. Sources of data: Ministry of Oil and Mines, Statistical Bulletins

Fig. 19.2 GDP per capita 1922–1978, selected countries. Source: Maddison Historical Statistics of the World Economy

Table 19.1 Main features of key institutional changes in Venezuela's petroleum sector

1922	1943	1960	1975	1983	1990s	2000s
First big oil discovery	**Hydrocarbons Law**	**No more oil concessions**	**Nationalization**	**Internationalization**	**Oil opening**	**Second nationalization**
Issues	Revenues Control Stability Industrialization	Depletion Low prices Absorption capacity	Sovereignty Control Development of the industry	Downstream integration Tax evasion	Increase production Limit state investment and risk	Revenues Sovereignty Discretionary control
Conditions	Highly conducive	Adverse	Conducive	Highly adverse	Conducive	Conducive
Incentive alignment	Long-term	Contradictory	Contradictory	Contradictory	Aligned	Contradictory
Actors	Diplomats Investors Congress Political parties Media Citizenry	Congress Political parties Media Citizenry	Diplomats Investors Congress Political parties Media Business and labour Citizenry	Executive Supreme court Political parties Media	Investors Congress and SC Media Academia Business and labour Citizenry	Congress Supreme court Citizenry

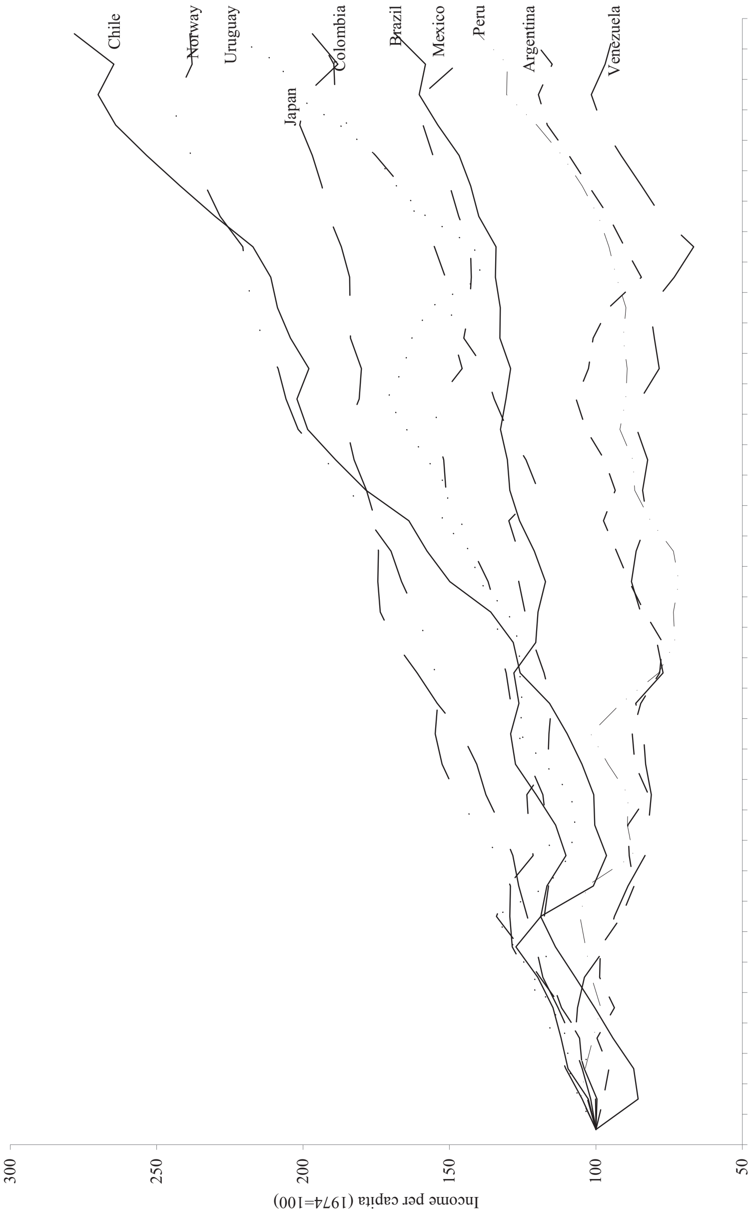

Fig. 19.3 GNI per capita 1974–2010, selected countries. Source: Maddison Historical Statistics of the World Economy

result of the government's decision to address its desperate need for foreign exchange by taking over PDVSA's foreign currency deposits. PDVSA retaliated by engaging in a highly controversial foreign investment plan in upstream facilities, justified by the need to guarantee markets for Venezuelan oil but widely seen as a roundabout way to hide funds that would otherwise be confiscated by the state. A few years later, PDVSA started to open up large-scale oil reserves to foreign investment, a measure with a questionable legal basis that encountered strong opposition from the left-wing parties that would eventually rally around Chávez (see Table 19.1).

Hausmann and Rodriguez (2015) hold that the distinguishing feature of resource-abundant countries is not their aggregate growth performance but their incapacity to recover from adverse shocks. The case of Venezuela indicates that oil price volatility, the misinterpretation of temporary price shocks as permanent ones and the incapacity to change course once this became evident may have been at the root of the country's prolonged decline from the 1980s onwards (see Fig. 19.4).

The institutional arrangement that had proven so successful until 1973 in a context characterized by stable prices, production increases and growing fiscal take was not well suited to the new environment of volatile prices, declining production and falling fiscal take. In his seminal work on institutions, Nobel Memorial Prize economist Douglass North argued:

> [I]t is adaptive rather than allocative efficiency which should be the guide to policy. Allocative efficiency is a static concept with a given set of institutions; the key to continuing good economic performance is a flexible institutional matrix that will adjust in the context of evolving technological and demographic changes as well as shocks to the system. (North 1990)

Pascale et al. take this argument one step further, and hold that, although long periods of equilibrium may appear ideal, they are in fact a curse:

> Coping mechanisms that have atrophied during long periods of equilibrium usually prove inadequate for the new challenge … At certain scales

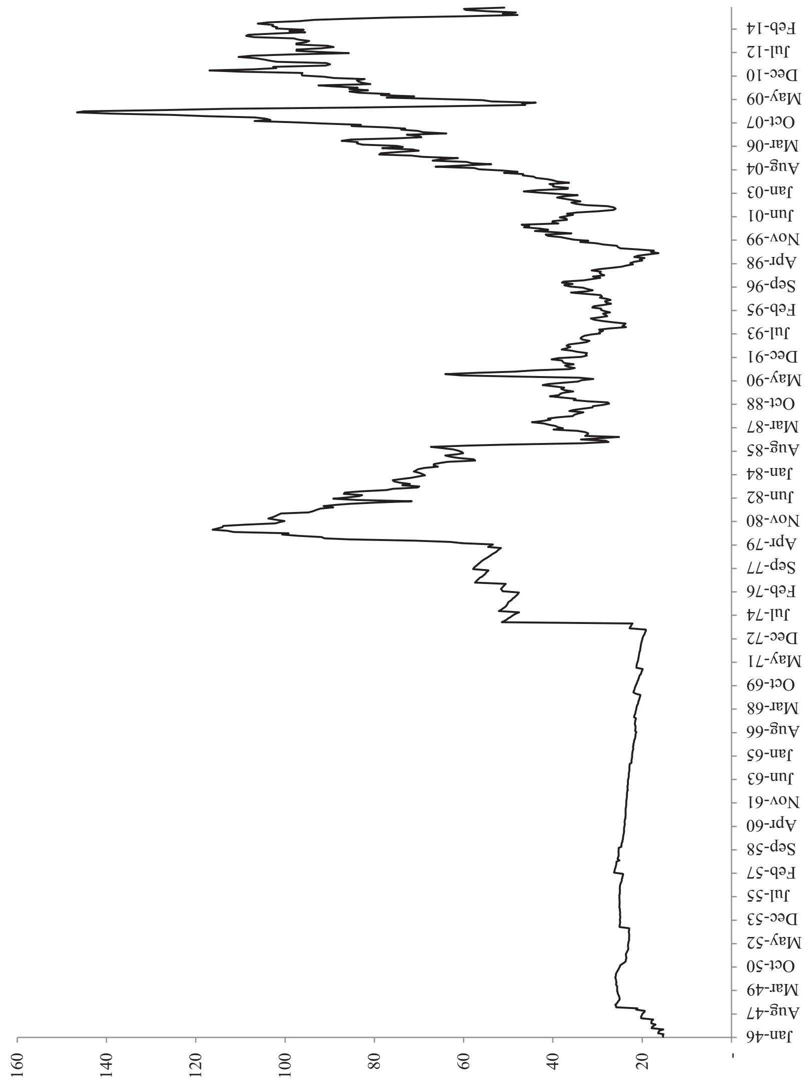

Fig. 19.4 Oil price volatility, 1946–2015. Source: St. Louis Fed database

> (i.e., small) and in some time frames (i.e., short), equilibrium can be a desirable condition. But over long intervals of time and on very large scales, equilibrium becomes hazardous. Why? Because the environment in which an organism (or organization) lives is always changing. At times, it is turbulent. Prolonged equilibrium dulls an organism's senses and saps its ability to arouse itself appropriately in the face of danger. (Pascale et al. 2007, 21)

Conclusions

Although Venezuela's experience since the 1980s seem to make it a classic example of the resource curse, I argue that a resource curse perspective fails to explain the country's spectacular economic, social and institutional performance through five decades after oil was first produced on a large scale. This period was characterized by a relatively strong institutional framework, open public debate and widespread consultation regarding how to manage the petroleum sector and its resources.

A longer view of the Venezuelan experience shows that the country's impressive performance between 1922 and 1972 was fragile, given its incapacity to adapt to the drastically different environment that evolved afterwards, characterized by high oil price volatility and large and abrupt declines in oil revenues. As a result, the country opted to rely increasingly on what Naim and Piñango (1985) have called the 'illusion of harmony'. Lopez Maya (2011) argues that, as faltering performance became evident, Venezuelans began questioning the model and the hegemonic arrangements of a democracy that was dominated by the narrow interests of the political parties. When Hugo Chávez proclaimed this as a defining principle of a new order, he was voicing an idea that already enjoyed considerable agreement and legitimacy among a significant number of Venezuelans.

And what of public debate? Considering the scope and magnitude of the economic, social and institutional devastation, it would be naïve to think that public debate in Venezuela could have survived, yet alone prosper. No, it should be counted—to paraphrase Aeschylus—as one of the first casualties. Today it has become imperative to rescue and

encourage public debate, consciously and actively given its specific importance in the promotion of adaptive as opposed to merely static efficiency.

Notes

1. PDVSA Agriculture and PDVAL in food production and distribution; PDVSA Services in exploration, drilling and other oil services; PDVSA Industrial in manufacturing; PDVSA Engineering and Construction; PDVSA Shipping; PDVSA Urban Development; PDVSA Communal Gas.
2. The basket price is the weighted average of the price at which the different qualities of crude oil exported are sold in a given period.
3. These laws include the Organic Law of the Communal Councils, Organic Law of the People's Power, Organic Law of the Communes, Organic Law of the Communes Economic System, Organic Law of Social Welfare, Organic Law of the Federal Council of Government, Organic Law of Public and Popular Planning and Organic Law for Community Planning.
4. For a detailed account of the negotiations between Venezuela, the oil companies, the US State Department and the British Foreign Office that led to the 1943 Hydrocarbons Law and the 1944 Tax Law, see Rabe (1982). Machado (1990) also deals with the public debate on this issue.

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20

Variations on Public Brainpower: Findings from Country Case Studies of Oil- and Gas-Producing Countries

Indra Overland

Introduction

This chapter sums up the 18 country case-study chapters that make up the bulk of the volume and prepares the ground for the concluding chapter. At the end of the chapter, I discuss some general challenges encountered in the preparation of the book and the research carried out for the country case studies.

The purpose of the country case studies has been to provide systematic and comparable empirical information on some of the world's main oil- and gas-producing countries. Following up the concept of 'public brainpower' presented in the introductory chapter, and drawing inspiration from the work of Almond and Verba (1965), Dahl (1956, 1989), Habermas (1962), Putnam (1995, 2000) and Putnam

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et al. (1994), the case-study chapters have explored freedom of speech, dynamic and wide-ranging public debate through multiple independent media channels and active civil society that engages in petroleum-sector issues.

To ensure geographical and cultural variety, at least two countries were included from each of the world's major oil- and gas-producing regions: the Arab/Persian Gulf, the former Soviet Union, Latin America, North Africa, the OECD countries and sub-Saharan Africa. Thus, the case-studies include developed, middle-income and developing economies; democratic and non-democratic regimes; countries ranked high and low on indices of democracy, freedom of speech, governance and corruption; members and non-members of OPEC, the EU and the International Energy Agency; as well as countries with predominantly Catholic, Muslim, Orthodox Christian and Protestant populations.

Although it is useful to categorize these countries along various dimensions, each country has its own unique story and setting. For instance, Iraq is a war-torn country that experienced a US-led invasion and that continues to suffer from ethno-sectarian violence and the meteoric rise and fall of the Islamic State. Venezuela had 17 years of left-wing rule under former president Hugo Chávez and his successor Nicolás Maduro and suffers from severe polarization. Egypt was a significant oil exporter in the 1980s and 1990s, but became a net oil importer around 2010 and is haunted by the legacy of former President Hosni Mubarak and the Arab Spring. Russia stands out as a former superpower with 70 years of Soviet history that were followed by a period of democratization and lawlessness and, more recently, a period of steadily growing authoritarianism under President Vladimir Putin. Even between Norway and the UK there is a stark contrast in approaches to the petroleum sector and the involvement of the public in policy formulation, although both countries are West European constitutional monarchies with strong cultural and social ties and have successfully coordinated the development of the North Sea petroleum province across their shared maritime boundary.

Case-Study Highlights

Algeria

Hydrocarbon revenues have long played a central role in Algeria, where the non-transparent circumstances of their redistribution have enabled the government to survive the Arab Spring and remain in power despite the socio-economic problems affecting the country. Paola Rivetti and Francesco Cavatorta observe that public debate and repression of public dissent co-exist, while oil and gas revenues are used to co-opt and repress demands for reform voiced by civil society. Open discussion, especially concerning the need for economic diversification, is permitted because it is not seen as particularly dangerous to the regime and because civil-society activism has limited impact on decision-making. Although civil society is not able to generate major institutional change at the national level, research institutes, opposition parties, media outlets, some institutional actors and ordinary citizens are increasingly contributing to and shaping the public debate over how oil and gas rents are to be used.

Angola

Angola has enjoyed few development benefits from its petroleum resources. Jesse Ovadia describes how the ruling party's periodic clampdowns on civil society and increasingly heavy-handed tactics serve to limit the autonomy of many actors to participate in public debate. As a result, both reformist and confrontational strategies are unlikely to have a significant impact on the government's management of petroleum resources. An important aspect of the situation in Angola is the polarization of society and the country's decades-long civil war, driven in part by external powers using different Angolan political-military blocs as proxies. In that regard, there are similarities with the polarization of several Latin American oil- and gas-producing states, but the role of

external political influence and the level of violence have probably been greater in Angola. Angola also resembles the post-Soviet states in that there is a relatively diverse and active civil society, but some of the main civil-society organizations have been created, promoted or co-opted by the state.

Azerbaijan

Public debate and public participation in decision-making are strictly limited in Azerbaijan. Kenan Aslanli describes how key decisions about the petroleum sector are made exclusively by top officials and members of government. Individual citizens are largely excluded from processes of policy formulation, decision-making and opinion formation. Civil society activists are active in the social media, but public-policy debates are otherwise almost non-existent. Shortcomings among civil-society organizations combined with government-imposed constraints have left the country's civil society stunted. The Extractive Industries Transparency Initiative (EITI) has provided the only platform for civil society to engage with industry and government on petroleum-sector management. In 2015, however, Azerbaijan lost its compliant status under this initiative by failing to meet the new EITI Standard, largely due to the government's failure to engage civil society.

Canada

Canada is a vast and geographically diverse federation where each petroleum-endowed province or territory makes its own decisions about how oil and gas is to be developed within its borders. According to Shantel Jordison, the oil and gas industry is the government's chief partner in development, and First Nations play a central role in resource development. The Canadian civil-society actors with greatest influence on the petroleum sector are companies, the media and First Nations; least influential are academia/think-tanks. Other noteworthy aspects of the

Canadian oil and gas debate are the relative neutrality of the media and the growing role of the social media in connecting individuals from different civil-society groups to promote action for or against various oil and gas developments.

Colombia

The oil industry in Colombia and its major reforms have been marked by the strong economic technocracy within the Treasury and the National Planning Department, which are closely connected with Colombia's most prestigious faculty of economics and its most influential public-policy think-tank. Carlo Tognato observes that political parties, segments of academia, some NGOs, trade unions and the media have played varying roles in debates about the management of the oil sector. For example, they have been quite effective at attaching public stigma to fracking, thereby pre-emptively undermining its introduction in Colombia. Emotional public opposition to fracking is not unique to Colombia: this is observed also in the Algeria and UK case studies. In Colombia, however, illegal armed groups have also played a role in the management of oil revenues, particularly in the territories under their influence. The deep polarization of the Colombian public sphere regularly prevents public debate on oil from addressing the specific challenges that the sector faces, leading instead to a war of attrition between supporters of the guerrillas and opponents of capitalism on the one hand and opponents of the guerrillas and supporters of capitalism on the other.

Egypt

Civil society in Egypt is absent from energy-related policy-making in general and oil and gas in particular, due partly to the industry's isolated location (as is also observed in the UK case study). As Robert Springborg notes, oil and gas is a sector of marked sensitivity because it generates a disproportionate share of rents with which Egypt's 'deep

state' buys loyalty and obedience. Unable to engage effectively in public debate in these vital areas, civil society is denied learning opportunities relevant to public policy more generally. Exclusion from the energy arena also has an enervating effect on civil society, compounding its sense of its own irrelevance. State, society and energy in Egypt are caught up in a vicious circle that has profoundly negative impacts on the country's economy and polity and from which it is not easy to see an exit. Violent protest—sometimes defined as 'terrorism'—grows out of this vicious circle and the repression of civil society.

Iraq

Public debate about the petroleum sector in Iraq is—perhaps surprisingly—vibrant and dynamic, with numerous actors expressing diverse views. However, due to the divisions and violence in Iraqi society, these views are at times so divergent that it is difficult to reconcile them. Ibrahim Al Marashi describes how a nascent public sphere has emerged in post-Ba'athist Iraq, allowing for greater debate on the country's management of its petroleum resources. Since 2003, Iraq's petroleum sector has reconstituted itself, with the arrival of new international oil companies, leading to robust public debates that invoke discourses on resource nationalism and the resource curse. The primary public concern is the development of a legislative framework to govern foreign investment in the petroleum sector and the distribution of hydrocarbon rents within the country. Political parties are the most vocal and influential participants in this debate, partly as a result of their control over most of the Iraqi media. As a result of these interconnected relationships, and given that parties run for election every four years, public debate influences petroleum policy more than it does in most other states in the region, such as Saudi Arabia or the UAE. However, trade unions, NGOs, academic institutions and powerful individuals do not in their own right have much influence on petroleum matters—only through the political parties or by appearing on state-controlled media or media affiliated with specific political groups.

Kazakhstan

In Kazakhstan, civil society is held back and has had a limited role in the management of the petroleum sector. As Roman Vakulchuk and I note, civil society has had little experience of promoting its own interests vis-à-vis the state, and public discussion of natural-resource issues has been mainly government-driven. The fact that Kazakhstan made a notable step forward—from being a collapsing socialist economy in the 1990s to becoming a regional economic player with improved social and economic performance—has helped to legitimize non-transparent natural-resource policies. As long as the socio-economic situation continues to improve or remains stable, the non-transparent management of natural resources is likely to be accepted by the population, which, like the Russian population, puts a premium on stability. The relative passivity of civil society has been compensated by Kazakhstan's exposure to international initiatives and organizations such as the World Bank, the International Monetary Fund, the Organization for Security and Co-operation in Europe and numerous UN agencies. As in Azerbaijan, EITI has provided a platform for some civil-society engagement with industry and government.

Libya

Libya was established in 1951 as a federation with three provinces and has never fully settled as a nation-state. Ebtissam Al Kailani-Chariat describes how, from 1951 until the Gaddafi coup in 1969, oil was a source of development and stability. The petroleum industry and its legal framework were built on the interaction among the country's three provinces, foreign oil companies and foreign expertise. Under Gaddafi's rule from 1969 to 2011, oil was his weapon in dealing with the Western world, which meant that it was diverted away from domestic use. Gaddafi enforced control over Libya's oil resources through centralization and totalitarianism. Starting with the 2011 uprising, the country was wracked by violent conflict among the provinces, centred on the management of the country's petroleum resource wealth. Since 2014, Libya has been

divided into two parts, with two independent legislative and executive authorities—in Cyrenaica and in Tripolitania—still fighting for control over the oilfields and the national oil company. Thus, in Libya, rather than public debate between different views, there is geographical division and civil war.

Netherlands

In the early days of the Dutch gas sector, from 1950 to 1973, the government and the gas industry negotiated the natural gas regime without much involvement of society, in a similar way to Norway. As Aad Correljé explains, policy-making was confined to the country's elite, representing the various 'pillars' of Dutch society: Protestants, Catholics, liberals and socialists. Between 1973 and 1995, when these pillars started to crumble, civil society took a more active stance on gas exploitation and commercialization. However, because of the public–private institutional setup that had already been established, there was little actual impact on gas policy. From 1995 to 2010, gas policy was characterized by liberalization, with gas becoming a commodity rather than a public good. During this period, a multitude of actors began to voice their opinions about many aspects of energy and gas supply, including economics, climate change, safety, geopolitics and local environmental protection, often in opposition to each other. This created a situation, particularly after 2012, in which policy-making has become increasingly complex. On the one hand, the role of national policy has been reduced by liberalization and by the increasing dominance of EU regulation. On the other hand, public opinion is divided on many energy issues and often seems disconnected from the complexities of managing a real-world energy system.

Nigeria

Along with Angola and Venezuela, Nigeria appears to be a classic case of the resource curse. According to Cyril Obi, the main aspects of petroleum policy that civil society seeks to influence in Nigeria include

accountability, the upstream and downstream operations of the oil industry and socio-economic policy. Trade unions are key civil-society actors seeking to influence oil policy in Nigeria. Other relevant organizations include Revenue Watch International (RWI), the Nigerian Extractive Industries Transparency Initiative (NEITI) and environmental rights and pro-democracy groups such as Environmental Rights Action (ERA), Stakeholder Democracy Network (SDN) and the Movement for the Survival of the Ogoni People (MOSOP). The media also play an important role in efforts to influence petroleum policy in Nigeria. These and other organizations set the agenda for the debates around oil and national development—through published reports and public statements, newspaper announcements, television programmes, public demonstrations, press releases, presentations at workshops and position papers presented to government agencies and international organizations, through social media such as Facebook and by mobilizing people through public demonstrations. However, despite the vibrancy of civil-society activism, and the relative freedom of speech expressed through the media and social media, the general public has had limited influence on the levels of corruption and mismanagement of oil and gas revenues in Nigeria.

Norway

Civil society involvement and public debate are not the only important characteristics of Norwegian petroleum governance. As in the Netherlands, during the early years of the country's oil and gas development, most important choices were made by a small number of government decision-makers with little input from the broader society. In the chapter on Norway, I observe that the attitude of government officials was therefore decisive for Norway's early successes. Corruption levels were low, and officials often took a technocratic view of the petroleum sector. This approach was reinforced by academics and other independent experts, ensuring a considerable technocratic element in the evolution of Norwegian petroleum governance. During the two first decades of Norway's petroleum era, economists at the Ministry of Finance, the Norwegian School of Economics, Statistics Norway and the University of

Oslo played important roles. One of the greatest successes of Norwegian oil and gas governance, the sovereign wealth fund, was created by technocrats in interaction with politicians. However, over time, and in a way similar to the Netherlands, civil society and public debate came to play more influential roles. What characterizes contemporary Norwegian petroleum governance is that it has many legs to stand on: an active and diverse civil society, free and diverse media, many political parties representing differing interests, numerous institutions of research and higher education and, importantly, a strong technocracy inside and outside government. In combination, these legs provide for both reliability and dynamism, as Norwegian petroleum governance is constantly evolving. Finally, a key aspect of Norway's Nordic model is constant compromise—which is difficult to achieve in more polarized societies.

Qatar

The influence of civil society on the governance of Qatar's natural gas sector appears to be growing, but it still remains marginal. According to Steven Wright, the primary civil-society actors are found in academia, think-tanks and NGOs, followed by companies engaged in joint ventures. The mass media have a lesser bearing, but within the social media, the government has shown itself responsive to societal concerns about how resources are managed and allocated. Political parties and trade unions are currently illegal in Qatar, but their part in influencing how revenues are used may change in the future if the constitution is fully implemented and an elected legislative chamber is established. Especially pertinent is the role of extended tribal family networks, whose concerns or opinions on the perceived mismanagement of oil and gas revenues are expressed through informal channels. The marginal role of civil society is changing, however, as awareness about how energy wealth is spent has grown. Access to statistics, social media and government as well as non-governmental reports has fostered greater civil awareness and feedback on petroleum revenue expenditure. A notable feature of the way that Qatar's petroleum revenues have been used is the considerable government investment in promoting the country's international standing, by hosting

international events, establishing subsidiaries of well-known Western academic institutions and creating the Al-Jazeera media network. Thus, it seems paradoxical that Qatari civil society is still little engaged in the formulation of petroleum policy.

Russia

In Russia, civil-society engagement with the petroleum sector is surprisingly rich and varied for a country that is ranked low on most democracy-related indicators. Nina Poussenkova and I find that there is a lively and varied public debate, with business associations, research institutes, independent experts, indigenous organizations and the few surviving independent media actively and often competently analysing and commenting on a broad range of issues related to the oil and gas sector. Russians were early users of social media, which occasionally also function as a platform for discussion of petroleum policy issues. However, the real impact of civil society on decision-making and policy formulation in the petroleum sector is not as great as the diversity of actors and discussion might imply. One key reason is the tight government control over mainstream media outlets, especially the national television channels, either directly or through Gazprom's media holdings. Because of this, Russia lacks the media element that could channel and amplify civil-society engagement into real influence on the petroleum sector, although social media remain vibrant. The situation for free speech and civil society worsened steadily from around 2004 to 2016, and the full, long-term effects of this development may not yet be fully apparent. As in neighbouring Kazakhstan, the Russian population prioritizes stability over freedom. While a central concern in this book is whether the media and civil society have any influence on the petroleum sector, in Russia the paradoxical situation is that the relationship is often reversed: the gas company Gazprom is used by the government to control key mass media, and the oil company Yukos played a central role in promoting civil society until its main owner Mikhail Khodorkovsky was arrested.

Saudi Arabia

The 2014–2016 oil price collapse necessitated changes in Saudi government policy. As Mark C. Thompson notes, despite the limitations placed on technocrats by the existing political system, their elevation to major decision-making positions, also in the energy sector, appears to signify an attempt at greater inclusiveness in policy-making. The McKinsey consultancy, which advises the Saudi government, has argued that all stakeholders—including the private sector, foreign investors and private households—will need to be involved in national development. The key issue here is whether the government is willing to open its decision-making processes further, also within the energy sector, to stakeholders who are qualified and prepared to contribute to the overall national development of the Kingdom. The question is how far this process will proceed. As the impact of the low oil price has started to hurt the individual Saudi's pocket, the issue of who makes the major decisions, especially as regards resource governance and the Kingdom's distributive system, is increasingly discussed widely in Saudi society.

UAE

The Emirate of Abu Dhabi possesses 94% of the UAE's hydrocarbon resources. As Martin Hvidt explains, the current decision-making system in Abu Dhabi relies on the traditional tribal system of rule—with highly exclusive decision-making processes in which only the members of ruling family and their closest associates play a role, combined with a sensible, flexible, dynamic and long-sighted petroleum policy. There is hardly any public debate around the development of the petroleum sector, or even in relation to the introduction of nuclear power in the country. The only public debate concerns consumer prices on Petrol and Diesel. This is in line with long established practices, whereby both external consultants and foreign oil companies holding concessions in the country provide expert advice to decision-makers. Abu Dhabi has accumulated one of the world's largest sovereign wealth funds, which is invested broadly and profitably, including in the development of Dubai,

the main international city in the UAE. The UAE also invests heavily in renewable energy: it has financed the construction of the Masdar low-carbon city and hosts the International Renewable Energy Agency (IRENA).

UK

Two important obstacles to the influence of public debate over the management of the UK's oil and gas resources have been its offshore nature and the specialized nature of petroleum policy, both of which tend to create distance between civil society and the petroleum sector. Philip Wright and Juan Carlos Boué argue that a powerful business lobby has had the most influence over public debate and policy development, eclipsing even the political parties, which since the 1960s have provided only sporadic proactive leadership on petroleum policy. The impact of the business lobby is illustrated by the fact that the UK's effective tax rate, particularly following policy changes in the early 1990s, is lower than those of its North Sea neighbours Denmark, Germany, the Netherlands and Norway. The influence of trade unions has been restricted in Britain's anti-trade union offshore environment, while NGOs have been vocal on single issues, notably fracking in recent years (as in Algeria and Colombia) but without consistent longer-term impact. Similarly, the academic debate has been loud on some policy issues but has also been compromised by the business lobby.

Venezuela

Although Venezuela's experience since the 1980s would seem to make it a classic example of the resource curse, that perspective fails to explain the country's impressive economic, social and institutional performance—including healthy public debate—throughout the five decades after oil was first produced on a large scale. Ricardo Villasmil takes a long view of the Venezuelan experience and argues that this initial performance was lengthy and positive but fragile, given the incapacity of the country's

institutions to adapt to the different environment that developed afterwards, characterized by high oil price volatility and significant and sudden declines in oil revenues. The prolonged initial period of equilibrium became a curse of sorts. Lacking adaptive efficiency, political institutions were forced to rely increasingly on maintaining an illusion of harmony, and as faltering performance became evident, Venezuelans began questioning the model and its hegemonic arrangements. The scope and magnitude of the economic, social and institutional devastation that followed were such that public debate became one the first casualties. One of the main problems in contemporary Venezuela is the polarization of politics. This makes it difficult for the country's population to arrive at reasonable solutions through discussion.

Case-Study Challenges: Non-Finding Findings

Work on the 18 country case studies presented in this volume involved several challenges. However, as I discuss in this section, sometimes a challenge or a failure to find information can offer important insights too.

Inaccessibility of Information

The original plan was for each case study to detail how civil society and public debate contributed to the formation of petroleum policy in the country in question. However, many chapter authors struggled with researching and writing about this, as neither civil society nor public debate are permitted in their countries. In those cases, the contributors tried to at least find out what views or thoughts the population might contribute to a public debate if there were an opportunity to engage in public debate—in other words, to identify the repressed views existing below the surface. However, in some cases even such information was inaccessible. Decision-making and policy formulation can be so closed and public debate so repressed that it is hardly

feasible to find examples of anyone outside key government organs who even attempts to express an opinion on petroleum policy (Overland 2011).

On the other hand, the fruitlessness of this effort can be seen as a finding in its own right and one that speaks directly to the hypothesis of this book. In some petroleum-rich countries, civil society and public debate play hardly any role in the management of petroleum resources. In those countries, the government operates on its own—and, according to our hypothesis, in the long term, governance of the petroleum sector should be bad.

Lack of Local Expertise

For several of the countries covered in this book, it was challenging to identify suitable chapter authors. Ideally, the contributing authors should fulfil two requirements: have the necessary qualifications for writing such a chapter in English and to international academic standards; and be from or based in the country in question, to ensure their grasp of local conditions. I often had to look long and hard for such people, notwithstanding help from several research assistants in searching extensively for candidates and suggestions from other helpful colleagues. Some such local experts were found, but still a disproportionate number of the contributors have a Western, usually Anglo-Saxon, background. Of those who are locals, many have Western higher education and/or are based in Western countries.

In some cases, the educational and research systems of oil- and gas-producing countries are simply not equipped to train such experts. As Robert Springborg notes in his chapter on Egypt:

> There are few independent arenas within which expertise on energy can be developed, and no university departments or affiliated institutes specialized in energy. Although Egypt has many faculties of economics, it produces very few energy economists. None of the country's most prominent economists have that specialization. The two leading economics think-tanks, the

Economic Research Forum and the Egyptian Centre for Economic Studies, produce comparatively few studies on energy in Egypt or elsewhere.

Even in a country such as Russia—the world's largest oil and gas exporter at the time of writing, with a petroleum history stretching back over a century and an impressive academic and scientific tradition—it was no simple matter to locate a suitable contributor. In several less developed and smaller countries it was even more difficult. The difficulty in identifying qualified local contributors is an interesting finding in its own right, as it reflects on the (un)availability of minds and voices to record, analyse, comment on and propose changes to petroleum policy in many countries.

The Long Arm of Censorship

While editing the country chapters, I noticed that some authors seemed cautious about criticizing the rulers of the country where they work and would make sure to include some positive points about the country and the policies of its government. This also applied to Western academics working in the country they were writing about. This, too, is a relevant finding, as it shows how self-censorship can extend beyond locals to persons who are citizens of other countries but have some dependence on the country in question.

This problem may even affect scholars currently based outside the country they study, as they may fear having future visa applications rejected and losing access to interviewees and partners in the country. A country expert has made considerable investments that tie him or her to the country of expertise: learning the language, spending prime years getting a relevant education and then subsequently spending several more decades further specializing in the study of that country, accumulating relevant publications and building personal networks among people in that country and among academics, policymakers and companies dealing with the country. Such experts may be married to someone from that country, with property, parents and old friends and colleagues based there.

All this contributes to making people good country experts because it gives them access to local knowledge and networks—but it also makes it difficult for them to change their research topic, which in turn can foster caution. Otherwise their next visa application may be rejected or they or somebody they know may be sanctioned by the authorities of the country in question. In sum, censorship and repression of freedom of speech can hobble not only domestic but also foreign voices that might contribute to a country's public debate.

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21

Lonely Minds: Natural Resource Governance Without Input from Society

Indra Overland

Introduction

This book has presented 18 case studies of major oil- and gas-producing countries in order to explore how different states utilize, or fail to utilize, public debate and civil society involvement to ensure good governance of their natural resources. The findings of the 18 case-study chapters were summarized in the previous chapter. In this concluding chapter, I attempt to draw together these threads and relate them to the argument presented in the introductory chapter.

The introductory chapter hypothesized that it is not formal institutions as such that are important for successful handling of natural resources, but rather their embeddedness in a conducive socio-political context and the dynamism of the long-term process of institution-creation and re-creation. At the core of this book is the theoretical concept of 'public brainpower', which involves polycentricity or the

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coexistence of many different public actors, all freely expressing their thoughts. The concept of public brainpower highlights the importance of creativity, dynamism and flexibility in effective long-term resource governance. The case-study chapters have therefore sought to highlight the extent to which the societies examined here are characterized by freedom of speech, a dynamic and wide-ranging public debate through multiple independent media channels and an active civil society that engages in issues concerning petroleum policy.

All 18 countries covered are major oil and/or gas producers, and the questions discussed in the book are examined through the lens of petroleum governance. However, the analysis is relevant also for countries that are not oil and gas producers but have major earnings from the export of other natural resources. These countries face similar policy questions: how should they license and tax the extraction of their natural resources and protect the environment? How should high and sudden windfalls be dealt with? And above all, how should decisions on these matters be made?

In the next two sections, I present some cross-country analytical observations on the characteristics of public brainpower and its limitations. In the fourth section, these are condensed into a set of tenets on public brainpower, followed by a ranking of oil- and gas-producing countries based on the tenets. The final section indicates some possibilities for further research. For definitions of key terms, see the introductory chapter.

Assessing the Concept of 'Public Brainpower'

In this section and the next one, I discuss some aspects of public brainpower and the management of petroleum resources, attempting to identify clusters among the country case studies.

Having Many Legs to Stand On

The way that Norway has gone about managing its petroleum sector served as an important source of inspiration for the book. The case study of Norway is thus particularly significant, and its similarities with the historical trajectory of the Netherlands are especially interesting. In both countries, civil

society and public debate at first played little role in shaping oil and gas policy but gradually became more important. This has several implications. Firstly, it shows that the resource management of these countries has not always been firmly rooted in the kind of diverse and lively public debate hypothesized in the introduction. Secondly, it indicates that such countries can manage their natural resources reasonably well without an active civil society and public debate—at least for a while.

This could indicate that the hypothesis put forth in the introduction is only partly right: civil society and public debate can be advantageous, but may not always be strictly necessary for successful management of natural resources. The strength of the Dutch and Norwegian systems may be that most of their parts function quite well, on their own and in interaction with each other. This makes for flexible systems that can function in several ways: if the government bureaucracy is left to its own devices, it is likely to govern reasonably well; if the public gets involved in politics, it is not very likely to fall for populist excesses, although the temptation will always be there (Moene 2017).

In any case, government and civil society are never entirely severed from each other in these countries (for further discussion, see Drazkiewicz-Grodzicka 2016). Government feeds its policies to the public, for example, through whitepapers, and civil society feeds into the many political parties, which have an important role within the strongly parliamentary systems of both Norway and the Netherlands.

Public Debate: A Luxury Item?

In the four most developed countries covered in this volume—Canada, the Netherlands, Norway and the UK—climate change has become a central, and sometimes conflictual, topic in public discussions about the petroleum sector (Pickering 2015; Asdal 2014; Barr and Pollard 2017; Perlaviciute et al. 2016). In Norway, the Bondevik government even stepped down because it refused to allow the construction of natural gas power plants, on the grounds that they would generate increased greenhouse gas emissions. In the 14 non-Western countries covered, there is much less trace of public debate over climate change and the petroleum

sector (see also Obani and Gupta 2016, 211). One might argue that this is because these countries have even more immediate concerns: it is easy to understand that Iraqis and Libyans have more urgent worries than climate change. The other countries may not be at war, but they are significantly poorer than the four Western oil and gas producers. Thus, public debate about climate change may be a luxury that some countries can afford and others cannot.

However, it is also true that less-developed countries are more vulnerable than developed countries to climate change, because they lack the technology, educational institutions, political stability, financial muscle and/or governance capacity needed to deal with the consequences of climate change (Overland 2015). Rather than reflecting a rational prioritization of issues, the lack of public debate about climate change and the petroleum sector in such countries may reflect the more general weakness of public debate and the lack of relevant expertise: the failure of the state to draw on the public brain.

Out of Sight, Out of Public Mind?

Some of the case studies indicate that the remoteness of oil- and gas-producing areas is an obstacle to public debate. For example, Robert Springborg notes that Egypt's oil and gas resources are located in remote desert locations or offshore. Concerning the UK, Philip Wright and Juan Carlos Boué make the point that the hydrocarbons are located offshore—except for shale gas, which has only recently been considered for development. In both countries, the remoteness of oil and gas resources appears to have discouraged public engagement in the sector. Although there has been considerable engagement in Scotland and Shetland, this has been more locally confined, with limited impact on national petroleum policy.

Concerning the UK, Wright and Boué argue that when the resource is located offshore, the activity is immediately distanced from stakeholder constituencies. Offshore there are few political constituencies with Members of Parliament representing them, and petroleum activities are less likely to disturb communities directly, except for fishermen. Moreover, the offshore industry generally employs relatively few people, and they

are often drawn from a wide geographical area without creating concentrated communities of workers who might stimulate inquisitive awareness about the petroleum sector. This contrasts with the UK's former coal mining communities of workers and their families who lived in pit villages and often wanted to keep the mines operating. Within the oil and gas industry, there is a similar contrast between offshore and onshore oil exploration and production. Shale gas production in the UK immediately generated intense public debate on a scale much greater than offshore oil and gas production (Williams et al. 2017; Gouldson et al. 2014; Jaspal and Nerlich 2014).

However, the contrast between Norway and the UK calls for further elaboration. The petroleum resources of both countries are located offshore in the North Sea—but in Norway the public debate ultimately became much livelier and empowered a more diverse set of actors at the national level than in the UK. One possible explanation is that Norway's population is less than a tenth the size of that of the UK, so petroleum revenues have come to play a far greater role in Norway. It is also reasonable to assume differences in political systems, and cultures have played a role. Whereas the UK has a first-past-the-post electoral system that leads to a quasi-two-party configuration and normally majority governments with strong decision-making capacity, Norway's proportional representation system leads to a proliferation of parties, with frequent minority governments dependent on the support of other parties in parliament to implement policy. This may have contributed to a more wide-ranging public debate in Norway than in the UK.

Global Brainpower: The Role of International Actors

When a domestic society does not have the opportunity to influence policy, international actors can sometimes help fill the void (Bates 2015). International NGOs, multilateral organizations or foreign companies can help keep governments in check through criticism and by providing ideas for the renewal and improvement of natural resource governance (Bebbington 2013, 5). Examples of international initiatives and organizations that try to improve natural resource revenue management in countries

around the world include the Extractive Industries Transparency Initiative (EITI), the online platform Sharing in Governance of Extractive Industries (GOXI), the Natural Resource Governance Institute (NRGI), Publish What You Pay (PWYP) and the World Bank (Papyrakis et al. 2017, 295; Sequeira et al. 2016; Van Alstine 2014). Although some authors, among them Stevens and Dietsche (2008, 57), are sceptical about the role that international actors can play, Tsani (2015, 95) notes that several resource-rich countries with weak governance have established sovereign wealth funds on the advice of international financial institutions.

Also in this book, we can note several examples of international actors playing constructive roles. In the case studies of Nigeria and Kazakhstan, Cyril Obi, Roman Vakulchuk and I find that international multilateral institutions and NGOs have actively and sometimes successfully influenced the handling of oil and gas resources and revenues. In Azerbaijan, Kazakhstan and Nigeria, EITI has provided a platform for civil society to engage with government and industry on petroleum governance issues. In Saudi Arabia and the UAE, Mark C. Thompson and Martin Hvidt hold that other types of international actors—consultants, banks and companies—have played important roles as advisors to the government on petroleum issues.

Robert Springborg's chapter on Egypt gives an example of negotiations between Egypt and Israel over gas exports, where the Egyptian government was highly secretive about the process, and Egyptian civil society had to resort to Israeli and international sources for information. In the chapter on Iraq, Ibrahim Al-Marashi argues that the most influential civil society organization—apart from political parties and religious organizations—is the Iraq Energy Institute, which is based in London. Concerning Algeria, Rivetti and Cavatorta note that when a debate was organized in Algiers on the Algerian sovereign wealth fund, a lecturer from the University La Sorbonne Nouvelle in Paris, Abdeldjellil Bouzidi, was invited to speak. Thus, even when the Algerians wanted an Algerian to speak on the management of Algerian petroleum revenue, they invited an expert from abroad.

In the chapter on Azerbaijan, Kenan Aslanli notes the pivotal role played by a report published by Global Witness in 2013—'Azerbaijan Anonymous'—revealing lack of transparency in the Azeri national oil

company SOCAR (Global Witness 2013). The report also highlighted a credibility problem for EITI, where Azerbaijan was the first country to be classified as 'compliant'. Aslanli also argues that Azeri civil society has been weakened by Western countries that have ignored government repression because the West wants Azeri oil and gas. If the failure of international organizations to put pressure on a government has an adverse effect, that also implies that such organizations can play an important role when they do put pressure on governments.

The role of international civil society can be seen as an aspect of the globalization of the energy sector and the Fukuyama-style 'end of history', in the sense of the spreading of certain forms of governance throughout the world (Fukuyama 1989; Overland 2016). However, there is a risk that governance of the petroleum sector may be neglected as international civil society increasingly focuses on climate change. Yet even if oil and gas production were to be reduced by half, it would still be one of the world's largest industries and a major source of income for oil- and gas-exporting countries. Apart from their use as fuel, oil and gas are used to make plastics, fertilizers and other products. The petroleum sector may well remain an important sector for many years to come. International organizations therefore still have a critical role to play in ensuring effective governance of the sector.

Public Brainpower Pitfalls

The concept of public brainpower implies a need for freer and more active civil society and public debate in many resource-rich countries. However, pitfalls abound, and several caveats should be noted.

Volatility

Adaptability and dynamism are important aspects of public brainpower. In the introductory chapter, I hypothesized that what has enabled Norway to manage its petroleum resources effectively is not that it has the right institutions in a static sense, but that it has been able to keep adapting old institutions and creating new ones as the world and Norway itself change.

Having emphasized the importance of this dynamism, it is worth noting that stability and predictability are also important, especially for investors. The challenge is to govern in ways that are dynamic without becoming volatile or unpredictable. Achieving this balance requires communicating policy changes to stakeholders in a timely manner and ensuring that beneath the dynamism of policy formulation lie the basic principles of the rule of law, non-discrimination and transparency.

Polarization

Colombia and Venezuela represent a special type of Latin American case. They have similar historical patterns of open and direct public debate with the vocal participation of many actors. However, political positions in society are also highly antagonistic, making it difficult for the actors to reach compromises and move forward together. Carlo Tognato writes about Colombia that one is struck by the polarization of the public sphere, which

> …often precludes the possibility of developing new approaches to petroleum-sector governance or other policy areas through public debate. However, we should also recall that this polarization is not unique to Colombia … Participation in the public sphere under high levels of polarization degenerates into a commitment ritual whereby actors merely reaffirm in public their allegiance to one camp or the other. In such countries, public discussions tend to become zero-sum games where the friend-or-foe logic resembles the logic of war more than that of democracy.

The situation in Venezuela is not much better (Morales et al. 2015; Hauge 2010). Also Bolivia and Ecuador, not covered in this book, suffer from similar problems (Barndt 2010; Perreault and Valdivia 2010). This phenomenon also occurs on other continents—in countries such as Angola, Iran, Iraq or Libya (Cross and Sorens 2016). In Iraq, polarization is largely along ethno-religious rather than ideological lines, and in Libya it is mostly along geographical and clan lines, but the consequences are similar. It is therefore necessary to add a caveat to the hypothesis of this

book: public debate can be productive—*if* contributors to the debate respect each other and are able to compromise.

Populism

While civil society and public debate can contribute to good resource governance, they may also have a negative impact—in the form of populist and nationalist policies that have popular support but are not economically rational or oil and gas extraction that is not environmentally responsible. For example, although both experts and decision-makers may see fossil-fuel subsidies as irrational, they have often failed to do away with such measures, for fear of a public backlash (Overland 2010; Overland and Kutschera 2012). As a result, many oil- and gas-producing countries have heavy energy subsidies which they have been unable to remove for many years (Breton and Mirzapour 2016; Siddig et al. 2014; Dansie et al. 2010).

Another example is Venezuela, where mismanagement of the national oil company PDVSA started off with the democratically elected President Hugo Chavez implementing populist measures that had support from a significant part of the population. In the chapter on Venezuela, Ricardo Villasmil writes

> …despite having the largest oil reserves in the world and having been at the receiving end of the longest and largest oil price boom in history – Venezuela managed to seriously cripple its domestic oil industry and its national oil company in particular through political capture, saddling it with social and political mandates, non-oil investment-related debt, firing most of its best-trained professionals and destroying its credibility in the oil industry and in the financial markets. Furthermore, the country squandered resources far and beyond the extraordinary revenue stream. As a result, Venezuela now finds itself overburdened with high public debt, significant arrears and unsustainable external and fiscal deficits. Mismanagement has not been confined to the petroleum sector. Venezuelans now experience widespread scarcity of essential goods, exploding inflation, high and growing levels of violence, recurrent violations of political and civil rights, human and financial capital flight, political conflict with

> neighbouring countries and a rapid deterioration in the capacity of the state to provide even basic public goods, let alone the protection of life and property. Moreover, these problems began surfacing before the oil price collapse of the second half of 2014. And after that, of course, the situation took a turn for the worse.

Venezuela exemplifies how democracy and public debate do not always lead to the effective management of the economy and natural resource wealth.

One of the keys to public debate without populism is checks and balances—within the media, within civil society and within politics. If civil society is sufficiently diverse and strong, such populist impulses can be kept in check by actors with other arguments. In the case study of Norway, I found that the potential for populist policy has been tempered by a strong technocratic element both inside and outside the government bureaucracy.

Research institutes and think-tanks can serve as a particularly important type of countering force. Many of them strongly encourage their governments to conduct sensible policies such as cutting energy subsidies, diversifying the economy or fighting corruption. Examples of such institutions include Notre Algérie Bâtie sur de Nouvelles Idées (NABNI) and the Centre for Economic and Social Development (CESD) in Azerbaijan.

Mock Democracy

After two and a half decades of supposed transition from supposed communism and central command economy to supposed free-market democracy, several post-Soviet states have become adept at *ersatz* democracy—variously referred to as hybrid regimes, semi-authoritarian regime or managed democracies (Toepfl 2013; Overland et al. 2010; Diamond 2002; Schedler 2002). Perhaps most successful of all at faking democracy have been the three post-Soviet petro-states covered in this volume—Azerbaijan, Kazakhstan and Russia. For a while at least, they were able to draw on their oil and gas revenue to get the best of both worlds: full authoritarian control, with a veneer of democracy (Overland 2012, 35).

In all three countries, there is a paradoxical combination: a relatively active civil society, coupled with an increasingly repressive state that ensures that civil society has little real influence on natural resource management. The government ensures that there are alternative political parties, media and election candidates subject to indirect government control. These are referred to variously as 'pocket parties' or 'the systemic opposition' (Blackburn 2016; Ross 2015; Ratelle and Souleimanov 2016). In all three countries, it is difficult to disentangle the internal weaknesses of civil society, such as infighting, corruption or incompetence, from the weaknesses caused by government repression. In all three countries, corruption is a major issue. Had civil society and the media been freer and stronger, corruption would probably have been less rampant—although the case of Nigeria shows that free media and an active civil society as such cannot guarantee low levels of corruption.

The phenomenon of *ersatz* democracy is found not only in the post-Soviet area but also in countries such as Algeria and Angola. Like the post-Soviet countries, Angola is run by an entrenched post-communist government. Determining whether transitioning/stagnating post-communist states are particularly prone to this type of development requires further research. There might even be a direct causal connection, with one country inspiring another. For example, in 2015, Angola's president issued a decree similar to a law passed in Russia in 2012, requiring all NGOs to register with the government and international NGOs to register with the Foreign Ministry.

What is clear is that mock democracy cannot supply the diversity, creativity and checks and balances that could ensure dynamic institutions. With mock democracy, the rulers rule alone.

Public Brainpower Tenets

One ambition of this book has been to draw on lessons from the petroleum sector to reflect on natural resource governance more widely. Based on the preceding discussion in this chapter and the contents of this book, ten tenets on the relationship between public debate and the

management of natural resources have been formulated. As in the introductory chapter, 'successful natural resource governance' is here defined as being able to translate natural resources into high long-term human development index scores and limited environmental harm. The first five tenets outline public brainpower and its requirements; the last five contain caveats related to the limits of public brainpower.

1. The quality of resource governance institutions depends on the capacity of a society to *provide checks and balances on institutions*.
2. The quality of resource governance institutions depends on the capacity of a society *modify existing institutions and create new ones* in response to changing circumstances.
3. The capacity for keeping institutions in check and changing them when necessary is reinforced by the presence of *diverse*, *free and responsible mass media*.
4. The capacity for keeping institutions in check and changing them when necessary is reinforced by the presence of a *diverse and independent civil society*.
5. *International civil society and media can be important supplements* to domestic actors.
6. Open public debate can benefit natural resource management only if it does not become overly polarized and if contributors to the debate *respect each other and are open to compromise*.
7. Both the electoral majority and the loudest voices in society can make mistakes: it is essential to *avoid populism and counterbalance public opinion with a competent*, *technocratic government bureaucracy that has a strong culture of integrity*.
8. Public opinion should be well-informed by *robust*, *independent and high-quality institutions of education and research*, *as well as responsible and well-informed media*.
9. While dynamism and flexibility are highly valuable for natural resource management, stability and predictability are also important, especially with regard to the *rule of law*, *property rights*, *taxation and transparency*.
10. *Institutions copied from one country to another are not likely to function as they did in the first country*.

Ranking the Public Brainpower of Resource-Rich Countries

Drawing on the tenets above, I have assembled a ranking of the public brainpower of resource-rich countries. The purpose of the ranking is to highlight which countries are making good use of the mental resources of their populations and which have an unrealized potential. Perhaps some of the latter might be inspired to make better use of their available brainpower.

For the purpose of the ranking, I have developed a new methodology—Segmented String Relative Ranking (SSRR). Many rankings based on expert opinion start with a grading or scoring system, with items subsequently being ranked according to the scores they achieve. Such systems are problematic, as they involve the assumption that grades or scores are ascribed objectively and consistently, while in fact it is difficult to ascertain that different experts apply the grades with the same degree of strictness. Grade B given by one expert may not be equivalent to grade B given by another expert, especially when they are grading different groups of units (e.g. one expert may be grading African countries while the other may be grading European countries). By asking the expert respondents to instead assess countries *relative* to other countries, one gets a purer form of ranking based exclusively on data concerning the hierarchical relationships between the ranked countries. That is the purpose of SSRR.

To start with, all contributors to this book were asked to rank how effectively resource-rich countries utilize their public brainpower potential. They were asked to rank the countries they were familiar with, selecting them from a list of countries that included all of those covered in the book, plus another 15 countries—a total of 33 countries. In ranking the countries, they were to bear in mind the following criteria: free speech, diversity and independence of the media, diversity and independence of civil society organizations, transparency in government decision-making, extent of consultation between the government and non-governmental actors and the strength and variety of institutions of higher education and research. In addition to ranking the public brainpower of the countries, the experts were asked to rank their own competence on the countries. These self-assessments were used to resolve contradictions between the experts. In case of a contradiction between an expert who knows a

country well and an expert less familiar with that country, the opinion of the former should carry greater weight.

Input was received from 19 of the contributors to the book, including two reviewers, who had a good overview of the different case studies. Although this may not be a very large number of experts for such a ranking, their assessments draw on the extensive work they have done for the book, giving them further weight. On the other hand, an expert-based ranking will always have an element of subjectivity, and if other experts had done the work, it is possible that the results would have been different. Nonetheless, I hope that this ranking exercise gives some useful pointers and can help inspire countries to maximize their public brainpower.

As each expert ranked only those countries on which they had competence, each of them contributed a segment to the overall ranking. The

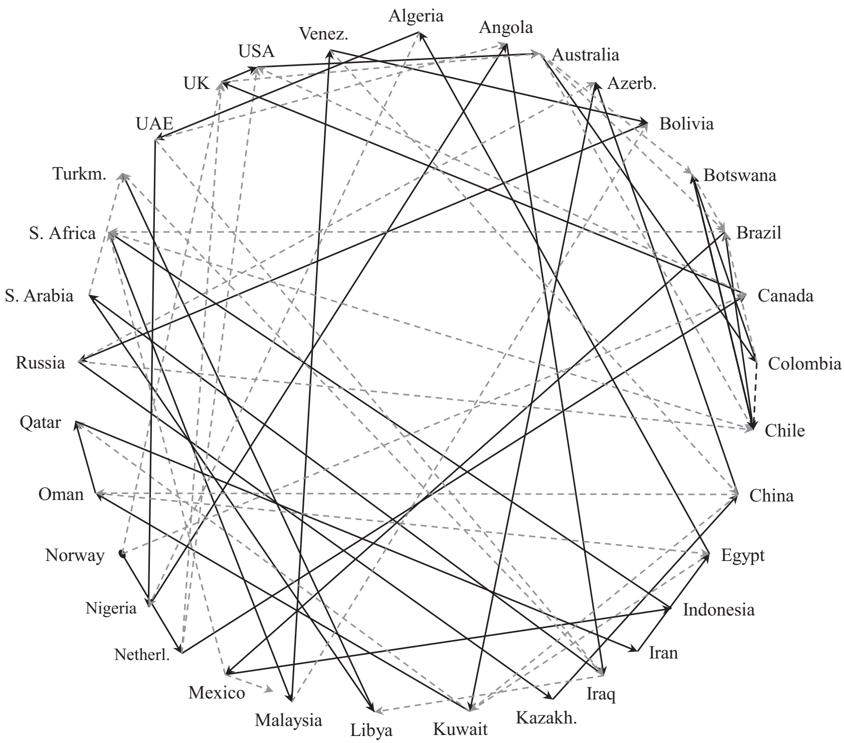

Fig. 21.1 Input for public brainpower ranking

challenge is to string together these segments into a comprehensive ranking. This was done by checking each country against the three countries most often placed directly above and below it by the experts. That way, I checked whether a country that was placed above another country by one expert might in fact be placed below it more often by other experts. This process is illustrated in Fig. 21.1. The solid-line arrows point at the countries that are placed directly below the ones that the arrows emanate from. The dotted-line arrows point at countries that are further below them in the final ranking, and that were checked as part of the process of checking the three countries most often placed directly above and below each country by the experts.

Contradictions between the assessments of different experts were resolved by taking into account the competence of experts on the countries. If two countries were placed above each other the same number of times, the competence of the experts on those countries was taken into account to determine which of them should actually be above the other.

The final ranking is presented in Table 21.1. In the highest-ranked countries, the state is judged to make best use of the capacities for

Table 21.1 Ranking of the public brainpower of oil- and gas-producing countries

Rank	Country	Rank	Country
1.	Norway	18.	Kazakhstan
2.	Netherlands	19.	China
3.	Canada	20.	Azerbaijan
4.	UK	21.	Kuwait
5.	USA	22.	Oman
6.	Australia	23.	Qatar
7.	Colombia	24.	Iran
8.	Botswana	25.	Egypt
9.	Chile	26.	Algeria
10.	Brazil	27.	UAE
11.	Mexico	28.	Nigeria
12.	Indonesia	29.	Angola
13.	South Africa	30.	Iraq
14.	Malaysia	31.	Saudi Arabia
15.	Venezuela	32.	Libya
16.	Bolivia	33.	Turkmenistan
17.	Russia		

thinking, creativity and quality control among the population, resulting in strong institutions and good natural resource management. In the lowest-ranked countries, the state appears to be trying to go it alone, restricting the input from the broader population and thus limiting the brainpower available to the state.

Further Research

In this section I offer some suggestions for future research on the issue areas touched upon in the book. For many of the countries covered here, there have been few previous such studies, and the individual country case studies themselves break new ground. Initially, the contributing authors were allowed only 5000 words per chapter, although many of them exceeded this limit (one chapter had to be cut from over 21,000 words). Clearly, in many of these countries, more in-depth studies of the modern history of the petroleum sector would be helpful.

In many cases there seemed to be a dearth of domestic institutions of education and research and of qualified people well-versed in the history of the country, local conditions *and* international academic standards. If the impression I got while trying to find suitable contributors is correct, that means that many countries lack the human resources needed for understanding and reflecting on their own predicament and for comparing it with that of other countries. This impression could be explored further through systematic empirical mapping of the competencies available in modern history, economic history, political science, sociology, social anthropology and economics in various countries.

Another indication of the weak capacity of many of the states to produce sensible government policy and to interact with the broader society in policy formulation is the unavailability of documents—white papers, green papers, framework programmes, and so on. While the best-governed countries produce reams of such documents and make them freely available to the public, some countries hardly produce any.

The magnitude and implications of this difference merit further exploration.

The qualitative case studies in this book could be used as a starting point for quantitative studies of the relationship between indicators related to freedom of expression and indicators related to governance of natural resources. Some indicators were mentioned in the introduction to this volume (including the Resource Governance Index, the Open Budget Index, the Personal Freedom indicator produced by Freedom House and the Freedom of Press indicator produced by Reporters without Borders), but there are probably also many others that could be used, depending on the research design.

There are striking similarities between the co-opted and/or mock civil society in countries such as Algeria, Angola, Azerbaijan, Kazakhstan and Russia. Is this a phenomenon to which resource-rich countries or post-communist countries are particularly prone? That would be an intriguing question for further research.

The issues discussed in the book have been examined through the lens of petroleum governance. However, the analysis is also relevant to countries that are not oil and gas producers but have major earnings from the export of other natural resources—for example, Botswana (diamonds), Chile (copper), Kyrgyzstan (gold) or South Africa (diamonds, platinum, titanium). In future research, the analytical approach applied here could be extended to such countries.

Looking even further afield, the book also represents a contribution to the study of optimizing public policy and achieving good governance for countries that are not resource-driven economies. For example, it is also relevant for China, where modes of public discussion and consultation diverge significantly from those of Western liberal democracies. Will China be able to maintain alternative modes of public discussion and feedback—thereby ensuring that its rulers are well informed and able to formulate balanced government policy—without multiparty elections and free media? Or do the findings presented in this book indicate that the Chinese model may prove fundamentally flawed in the long term? That is indeed an important question for research in the near future.

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